SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 29, 2000

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File No. 1-12302

Barnes & Noble, Inc.

(Exact name of registrant as specified in its Charter)

Delaware	06-1196501
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
122 Fifth Avenue, New York, NY	10011
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 633-3300

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.001 par value per share	New York Stock Exchange
(Title of Class)	(Name of Exchange on which registered)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $1,149,576,867 based upon the closing market price of $23.4375 per share of Common Stock on the New York Stock Exchange as of March 31, 2000.

Number of shares of $.001 par value Common Stock outstanding as of March 31, 2000: 64,081,125

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2000 Annual Meeting of Shareholders are incorporated by reference into Part III.

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended January 29, 2000 are incorporated by reference into Parts II and IV.

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PART I

ITEM 1. BUSINESS

General

Barnes & Noble, Inc. (Barnes & Noble or the Company), the nation's largest bookseller*, as of January 29, 2000 operated 942 bookstores and 526 video game and entertainment software stores. Of the 942 bookstores, 542 operate under the Barnes & Noble Booksellers, Bookstop and Bookstar trade names, (38 of which were opened in fiscal 1999), and 400 operate under the B. Dalton Bookseller, Doubleday Book Shops and Scribner's Bookstore trade names. Through its 40 percent interest in barnesandnoble.com llc (Barnes & Noble.com), the Company is the second largest seller of books on the Internet and is the exclusive bookseller on America Online (AOL). The Company, through its recent acquisition of Babbage's Etc. LLC (Babbage's Etc.), operates 526 video game and entertainment software stores under the Babbage's, Software Etc. and GameStop trade names, and a Web site, gamestop.com. During fiscal 1999, the Company's share of the consumer book market rose to approximately 15%.

The Company's principal business is the retail sale of trade books (generally hardcover and paperback consumer titles, excluding educational textbooks and specialized religious titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, off-price bargain books and magazines. These collectively account for substantially all of the Company's bookstore sales. Bestsellers represent only 3% of the Barnes & Noble store sales.

On October 28, 1999, the Company acquired Babbage's Etc., one of the nation's largest operators of video game and entertainment software stores. As a result of the acquisition, the Company currently operates 526 video game and entertainment software stores located in 47 states and Puerto Rico. Stores feature video game hardware and software, PC entertainment software and a multitude of accessories.

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of January. The fiscal year ended January 29, 2000 (fiscal 1999) and the fiscal year ended January 30, 1999 (fiscal 1998) were comprised of 52 weeks.

The Company's sales increased 16.0% during fiscal 1999 to $3.486 billion from $3.006 billion during fiscal 1998 (which includes a 7.4% increase attributable to the inclusion of Babbage's Etc. sales for the fourth quarter of 1999). The Company reported an increased operating profit of $232.1 million (which includes Babbage's Etc.'s fourth quarter operating profit of $15.4 million) up from last year's operating profit of $185.1 million. The Company's bookstore operating profit increased to $216.7 million up 17.1% from the prior year.

Expanding bookstore gross margins due to improved occupancy leverage and a more favorable product mix, combined with solid sales growth were the major drivers of the 1999 operating results.

On a consolidated basis, the Company's net earnings increased 34.8% in fiscal 1999 to $124.5 million or $1.75 per diluted share, from $92.4 million or $1.29 per diluted share for 1998. Bookstores earnings per share increased 22.7% to $1.62 in fiscal 1999 from $1.32 in fiscal 1998. Babbage's Etc. contributed $0.10 per diluted share in fiscal 1999.

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*Based upon information reported in trade publications and public filings.

Barnes & Noble Stores

General

Barnes & Noble is the largest operator of book "super" stores in the United States* with 542 Barnes & Noble stores located in 49 states and the District of Columbia as of January 29, 2000. With more than 30 years of bookselling experience, management has a strong sense of customers' changing needs and the Company leads book retailing with a "community store" concept. Barnes & Noble's typical store offers a comprehensive title base, a cafe, a children's section, a music department, a magazine section and a calendar of ongoing events, including author appearances and children's activities, that make each Barnes & Noble store an active part of its community.

Barnes & Noble stores range in size from 10,000 to 60,000 square feet depending upon market size. Barnes & Noble stores opened during fiscal 1999 added 1.0 million square feet to the Barnes & Noble base, bringing the total square footage to 12.7 million square feet, a 7% increase over the prior year. Fiscal 1999 sales from Barnes & Noble stores, which contributed 86% of the Company's total bookstore sales, increased 12.2% to $2.822 billion from $2.515 billion in fiscal 1998. The Company plans to open between 40 and 45 Barnes & Noble stores in fiscal 2000 which are expected to average 26,000 square feet in size. The Company believes that the key elements contributing to the success of the Barnes & Noble stores are:

Proximity to Customers. The Company's strategy is to increase its share of the consumer book market, as well as to increase the size of the market. Since it began its "super" store roll-out, the Company has employed a market clustering strategy. As of January 29, 2000, Barnes & Noble had stores in 148 of the total 210 DMA markets (Designated Market Area). In 71 of the 148 markets, the Company has only one Barnes & Noble store. The Company believes its early market penetration and the stores' proximity to their customers strengthen its market position and increase its franchise value. Most Barnes & Noble stores are located in high-traffic areas with convenient access to major commercial thoroughfares and ample parking. Most stores offer extended shopping hours, generally 9:00 a.m. to 11:00 p.m., seven days a week.

Dominant Title Selection. Each Barnes & Noble store features an authoritative selection of books, ranging between 60,000 to 175,000 titles. The comprehensive title selection is diverse and reflects local interests. In addition, Barnes & Noble emphasizes books published by small and independent publishers and university presses. Bestsellers represent only 3% of Barnes & Noble store sales. Complementing this extensive on-site selection, all Barnes & Noble stores provide customers with access to the millions of books available to online shoppers while offering an option to have the book sent to the store or shipped directly to the customer. The Company believes that its tremendous selection, including many otherwise hard-to-find titles, builds customer loyalty. During fiscal 1999 the Company completed installation of BookMaster, the Company's new in-store operating system, in all Barnes & Noble stores. BookMaster enhances the Company's existing merchandise replenishment systems, resulting in higher in-stock positions and better productivity at the store level through efficiencies in receiving, cashiering and returns processing.

Store Design and Ambiance. Barnes & Noble stores are designed to be reminiscent of an old world library, with wood fixtures, antique style chairs and tables, ample public space, a cafe and public restrooms. Barnes & Noble's literary cafes, for which the Starbucks Corporation is the sole provider of coffee products, further the image of its "super" stores as a community meeting place.

* Based upon information reported in trade publications and public filings.

Music Departments. As of January 29, 2000, the Company had 237 Barnes & Noble stores with music departments which range in size from 1,700 to 7,800 square feet. The music departments generally stock over 50,000 titles in classical music, opera, jazz, blues and pop rock, tailored to the tastes of the Company's core customers, the 35 to 45 year age group. Listening stations are available for customers to preview selected compact disks.

Discount Pricing. Barnes & Noble stores employ a new aggressive nationwide discount pricing strategy. The current pricing is 40% off publishers' suggested retail prices for hardcover bestsellers, 30% off paperback bestsellers and 20% off select feature titles in departments such as children's books and computer books. The Company believes that its new pricing strategies enable the Company to increase the discount on the books its customers buy most often while bringing the Company closer to online pricing.

Marketing and Community Relations. Barnes & Noble stores are launched with a major grand opening campaign involving extensive print and radio advertising, direct-mail marketing and community events. Each store plans its own community-based calendar of events, including author appearances, children's storytelling hours, poetry readings and discussion groups. The Company believes its community focus encourages customer loyalty, significant word-of-mouth publicity and free media coverage. The Company also supports communities through efforts on behalf of First Book, a national organization dedicated to providing books to children with little or no access to them outside of school. In addition, the Company is underwriting the Emmy-award winning PBS children's television series Reading Rainbow and is the exclusive book sponser of the Poets & Writers organization.

Merchandising and Marketing

The Company's merchandising strategy for its Barnes & Noble stores is to be the authoritative community bookstore which carries a dominant selection of titles in all subjects, including an extensive selection of titles from small independent publishers and university presses. Each Barnes & Noble store stocks from 60,000 to 175,000 titles, of which approximately 50,000 titles are common to all stores; the balance is crafted to reflect the lifestyles and interests of each store's customers. Before a store opens, the Company's buyers study the community and customize the title selection with offerings from the store's local publishers and authors. After the store opens, each Barnes & Noble store manager is responsible for adjusting the buyers' selection to the interests, lifestyles and demands of the store's local customers. The Company's proprietary database, which includes catalogued sales rankings of over 950,000 titles in over 150 subjects, provides each store with comprehensive title selections in those subjects in which it seeks to expand. During 1999, the Company completed the rollout of its state-of-the-art store system, BookMaster. The new store system greatly enhances store-level customer service and productivity with its extremely fast register transactions and its title database with more than 2.5 million titles designed specifically for book browsing.

Store Locations and Properties

The Company's experienced real estate personnel select sites for new Barnes & Noble stores after an extensive review of demographic data and other information relating to market potential, bookstore visibility and access, available parking, surrounding businesses, compatible nearby tenants, competition and the location of other Barnes & Noble stores. Most stores are located in high-visibility areas adjacent to main traffic corridors in strip shopping centers or freestanding buildings. The Company has been successful in converting existing structures into dynamic bookstores in the Barnes & Noble store format such as conversions of old movie theaters, bowling alleys, power plants and landmark buildings.

The number of Barnes & Noble stores located in each state and the District of Columbia as of January 29, 2000 are listed below:

STATE	NUMBER OF STORES	STATE	NUMBER OF STORES
Alaska	1	Missouri	8
Alabama	5	Montana	3
Arizona	12	Nebraska	4
Arkansas	2	Nevada	5
California	75	New Hampshire	4
Colorado	13	New Jersey	20
Connecticut	11	New Mexico	2
Delaware	1	New York	34
Dist. of Columbia	1	North Carolina	15
Florida	37	North Dakota	2
Georgia	12	Ohio	16
Hawaii	1	Oklahoma	5
Idaho	3	Oregon	8
Illinois	24	Pennsylvania	19
Indiana	7	Rhode Island	1
Iowa	3	South Carolina	9
Kansas	4	South Dakota	1
Kentucky	4	Tennessee	8
Louisiana	6	Texas	49

Maine	1	Utah	8
Maryland	9	Vermont	1
Massachusetts	17	Virginia	14
Michigan	15	Washington	16
Minnesota	16	Wisconsin	7
Mississippi	2	Wyoming	1

Expansion

The Company believes its Barnes & Noble store format offers the greatest opportunity to increase its share of the expanding consumer book market and intends to strengthen its position as the world's leading operator of book superstores by opening between 40 and 45 new stores during fiscal 2000.

All stores will be opened under the Barnes & Noble Booksellers trade name, and positions in those stores will be filled from within the Company wherever possible.

The Company anticipates that its expansion plans will be supported by continuing strong demand for consumer books, which has grown over the past five years at a rate of 4.0% compounded annually and is forecasted to grow 5.9% over the next five years compounded annually according to Veronis, Suhler & Associates Communications Industry Forecast.

B. Dalton Stores

General

The Company is the second largest operator of mall bookstores in the United States.* During fiscal 1999, B. Dalton generated sales of approximately $426.0 million, or 13.1% of the Company's total bookstore sales, compared with 15.6% of total bookstore sales during fiscal 1998.

Most B. Dalton stores range in size from 2,800 to 6,000 square feet. These stores stock between 15,000 and 25,000 titles, feature new releases, bestsellers and children's books, and carry a solid selection of titles in categories such as business, computers, cooking and reference. B. Dalton employs a market-by-market discount pricing strategy which generally discounts hardcover bestsellers from 15% to 25% off the publishers' suggested retail prices. B. Dalton also offers a Book$avers discount card for an annual fee which allows customers an additional 10% discount on substantially all purchases. The Company's 10 Doubleday and five Scribner's bookstores utilize a more upscale format in select shopping malls and place a greater emphasis on hardcover and gift books.

The Company is continuing to execute a strategy to maximize returns from its B. Dalton stores in response to declining sales attributable primarily to superstore competition. Part of the Company's strategy has been to close underperforming stores, which has resulted in the closing of between 40 and 90 B. Dalton stores per year since 1989 as leases come up for renewal.

Merchandising and Marketing

Each B. Dalton store carries a solid selection of core titles within a variety of subject categories which are supplemented by new releases, bestsellers and other titles specially selected to meet local demand. B. Dalton's merchandise strategy is to expand title assortments within categories it believes have significant growth potential, such as children's books, mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), publishers' remainders and other bargain books including the Company's self-published books. B. Dalton's product offerings are merchandised to attract shoppers responding to movies, television talk show topics and current events. Each store has the ability to customize its selection to its local customers based upon their interests and demands.

B. Dalton's advertising and promotional programs focus on point-of-sale and storefront signage and other in-store promotions designed to attract walk-by mall traffic. B. Dalton takes full advantage of cooperative advertising funds made available by publishers and generally limits its expenditures and promotional programs to the amount of such funds. In addition, stores customarily incur advertising costs, often in amounts equal to a percentage of their annual sales, for lease-required advertising of mall-related promotional events.

Store Locations and Properties

Approximately 90% of B. Dalton stores are located in enclosed regional shopping malls. The remaining stores are located in strip shopping centers and central business districts. Site selections and lease renewals for all B. Dalton stores are made after an extensive review of demographic data, mall tenants, location within the mall and competitive factors.

The number of B. Dalton stores located in each state and the District of Columbia as of January 29, 2000 are listed below:

STATE	NUMBER OF STORES	STATE	NUMBER OF STORES
Alabama	1	Montana	2
Arizona	10	Nebraska	3
Arkansas	1	Nevada	3
California	59	New Hampshire	2
Colorado	7	New Jersey	10
Connecticut	3	New Mexico	2
Dist. Of Columbia	3	New York	14
Florida	20	North Carolina	8
Georgia	12	North Dakota	4
Idaho	3	Ohio	20
Illinois	19	Oklahoma	4
Indiana	7	Oregon	6
Iowa	8	Pennsylvania	16
Kansas	5	South Carolina	5
Kentucky	3	South Dakota	2
Louisiana	8	Tennessee	2
Maine	2	Texas	20
Maryland	9	Utah	6
Massachusetts	5	Virginia	11
Michigan	20	Washington	13
Minnesota	18	West Virginia	1
Mississippi	1	Wisconsin	7
Missouri	13	Wyoming	2

Given the Company's continuing plans to execute its strategy to maximize returns from its B. Dalton division, the Company anticipates it will continue to realize a decline in the number of B. Dalton stores during fiscal 2000 primarily due to lease expirations. During fiscal 1999, the Company closed 87 B. Dalton stores, primarily as a result of electing not to renew expiring leases.

Barnes & Noble.com

General

In 1998, the Company and Bertelsmann AG (Bertelsmann) completed the formation of a limited liability company to operate the online retail bookselling operations of the Company's wholly owned subsidiary, barnesandnoble.com inc. (Barnes & Noble.com Inc.). The new entity, Barnes & Noble.com,

was formed by combining the online bookselling operations of the Company with funds contributed by the international media company Bertelsmann, one of the largest integrated media companies in the world. In 1999, Barnes & Noble.com Inc. completed an initial public offering (IPO) of 28.75 million shares of Class A Common Stock and used the proceeds to purchase a 20 percent interest in Barnes & Noble.com. As a result, the Company and Bertelsmann each retained a 40 percent interest in Barnes & Noble.com.

Barnes & Noble.com has become one of the world's largest Web sites and the fourth largest e-commerce site, according to Media Metrix. Focused largely on the sale of books, music, software, magazines, prints, posters and related products, Barnes & Noble.com has capitalized on the recognized brand value of the Barnes & Noble name to become the second largest, and one of the fastest growing, online distributors of books. Customers can choose from millions of new and out-of-print titles and enjoy a variety of related content such as author chats, book synopses and reader reviews. The site also offers thousands of bargain books discounted up to 91 percent, the most popular software and magazine titles, as well as gift items for every occasion. Barnes & Noble.com recently launched its Prints & Posters Gallery, a unique collection of images that can be produced on demand on museum-quality canvas or high-quality paper, and its eCards service, an exclusive selection of greeting card images that can be personalized and enhanced with animation and music. With access to Barnes & Noble's more than 750,000 in-stock titles, Barnes & Noble.com has the largest standing inventory of any online bookseller ready for immediate delivery. The URL makes the site easy to find. The Barnes & Noble.com affiliate network has more than 300,000 members and maintains strategic alliances with major Web portals and content sites, such as AOL, Lycos and MSN. Barnes & Noble.com is also a leader in business-to-business e-commerce with its unique Business Solutions program.

Babbage's Etc. LLC

General

On October 28, 1999, the Company acquired Babbage's Etc., one of the nation's largest operators of video game and entertainment software stores. As a result of the acquisition, the Company operated 526 video game and entertainment software stores located in 47 states and Puerto Rico as of January 29, 2000, under the Babbage's, Software Etc. and GameStop trade names, and a Web site, gamestop.com. The Company's video game and entertainment software stores range in size from 500 to 5,000 square feet (averaging 1,500 square feet) depending upon market size. Stores feature video game hardware, software, PC entertainment software and a multitude of accessories. As of January 29, 2000, the Company offered a selection of more than 1,000 video game titles and 700 PC entertainment software titles.

Merchandising and Marketing

Babbage's Etc. designs its stores to provide an electronic gaming atmosphere with an engaging and visually captivating layout. Babbage's Etc.'s store design and fixturing maximize point of sale marketing opportunities both for Babbage's Etc. and its vendors.

The pricing strategy is designed to offer value to its customers by maintaining competitive prices in each market while at the same time giving customers added benefits, such as offering customer satisfaction return privileges, accepting used game trade-ins for new products and a pre-sale reservation service.

Store Locations and Properties

Babbage's Etc. stores are mainly in prime locations in regional shopping malls or other high traffic locations in markets with desirable demographics. All new stores, lease renewals, relocations and major remodels are evaluated on the basis of their return on investment, strategic positioning and condition of the market.

The number of Babbage's Etc. stores located in each state and Commonwealth as of January 29, 2000 are listed below:

STATE	NUMBER OF STORES	STATE	NUMBER OF STORES
Alabama	8	Montana	4
Alaska	2	Nebraska	3
Arizona	7	Nevada	1
Arkansas	3	New Hampshire	4
California	49	New Jersey	27

Colorado	11	New Mexico	3
Connecticut	6	New York	25
Florida	26	North Carolina	11
Georgia	13	North Dakota	4
Hawaii	8	Ohio	25
Idaho	2	Oklahoma	5
Illinois	20	Oregon	6
Indiana	7	Pennsylvania	22
Iowa	8	Puerto Rico	3
Kansas	2	South Carolina	6
Kentucky	8	South Dakota	2
Louisiana	10	Tennessee	11
Maine	1	Texas	42
Maryland	13	Utah	8
Massachusetts	11	Virginia	19
Michigan	21	Vermont	1
Minnesota	6	Washington	16
Mississippi	3	West Virginia	8
Missouri	14	Wisconsin	11

Expansion

Babbage's Etc.'s aggressive growth strategy is to continue to open new stores in its target markets and expand throughout the country. Babbage's Etc. believes its attractive store design offers the greatest opportunity to increase its share of the expanding video game and entertainment market and intends to strengthen its position by opening approximately 90 new stores during fiscal 2000.

Babbage's Etc. anticipates that its expansion plans will be supported by continuing strong demand in the interactive entertainment market, which has grown over the past five years at a rate of 9.1% compounded annually and is forecasted to grow 11.8% over the next five years compounded annually according to Veronis, Suhler & Associates Communications Industry Forecast.

Other Strategies

Proprietary Publishing. With publishing and distribution rights to over 2,000 titles covering a wide range of subject categories, Barnes & Noble offers customers high-quality books at exceptional values. Barnes & Noble differentiates its product offerings from those of its competitors by publishing books under its own imprints for sale in its retail stores, online and through direct-mail catalogs. As part of this activity, the Company licenses titles directly from domestic and international publishers as well as from literary agents, commissions books directly from authors, reprints classic titles in the public domain and creates collections of fiction and non-fiction using in-house editors. By self-publishing books, the Company is able to significantly lower its merchandise costs and pass on a portion of the savings to its customers. While the prices of these books represent significant value to customers, they also generate substantially higher gross profit margins than those realized on sales of non-proprietary books.

Strategic Investments

The Company maintains an equity investment in iUniverse.com, the Internet's largest publishing portal. The Company also maintains an equity investment in Calendar Club LLC, an operator of seasonal calendar kiosks both in the United States and internationally.

Store Operations

The Company has seasoned management teams for its Barnes & Noble, B. Dalton and Babbage's Etc. stores, including those for real estate, merchandising and store operations. Field management includes regional store directors and district managers supervising multiple store locations. Each Babbage's Etc. store generally employs a manager, an assistant manager and between two and 10 sales associates, most of whom are part-time employees. Each B. Dalton store generally employs a manager, an assistant manager and approximately seven full- and part-time booksellers. By comparison, each Barnes & Noble store generally employs a manager, two assistant managers and approximately 40 full- and part-time booksellers. Most Barnes & Noble stores also employ a full-time community relations manager. The large employee base provides the Company with experienced booksellers and interactive gaming experts to fill positions in the Company's new Barnes & Noble and Babbage's Etc. stores. The Company anticipates that a significant percentage of the personnel required to manage its expanding business will continue to come from within its existing operations.

Field management for all of the Company's bookstores and video game and entertainment software stores, including regional store directors, district managers and store managers, participate in a bonus program tied to sales. The Company believes that the compensation of its field management is competitive with that offered by other specialty retailers of comparable size.

The Company has a 12-week manager training program in which existing store managers train new store managers in all areas of store operations. Store managers are generally responsible for training other booksellers and video game and entertainment software employees in accordance with detailed procedures and guidelines prescribed by the Company, utilizing training aids available at each bookstore and video game and entertainment software store. In addition, district managers participate in semi-annual training and merchandising conferences.

The Company's culture of outgoing, helpful and knowledgeable booksellers consists of 32,000 full- and part-time booksellers operating nearly 1,000 bookstores as of January 29, 2000. Barnes & Noble has created nearly 3,000 new jobs nationwide during fiscal 1999 primarily due to its Barnes & Noble bookstore expansion. Babbage's Etc. has cultivated a work environment that attracts

knowledgeable employees who are actively interested in video games and entertainment software. Babbage's Etc. employed approximately 5,400 full- and part-time employees as of January 29, 2000.

Purchasing

Barnes & Noble's buyers negotiate terms, discounts and cooperative advertising allowances with publishers for all of the Company's bookstores. The Company's increased use of its distribution center enables it to maximize available discounts and the Company's multiple strategies greatly enhance its ability to create customized marketing programs with many of its vendors. The Company has teams of buyers who specialize in customizing inventory for each of the Company's bookselling strategies. Store inventories are further customized by the store managers, who may respond to local demand by purchasing a limited amount of fast-selling titles through a nationwide wholesaling network.

The Company purchases books on a regular basis from over 1,700 publishers and approximately 50 wholesale distributors. Purchases from the top five suppliers (including publishers and wholesale distributors) accounted for approximately 38% of the Company's book purchases during fiscal 1999, and no single supplier accounted for more than 16% of the Company's purchases during this period. Consistent with retail book industry practice, substantially all of the Company's book purchases are returnable for full credit, a practice which substantially reduces the Company's risk of inventory obsolescence.

Publishers control the distribution of titles by virtue of copyright protection, which limits availability on most titles to a single publisher. Since the retail, or list, prices of titles, as well as the retailers' cost price, are also generally determined by publishers, the Company has limited options concerning availability, cost and profitability of its book inventory. However, these limitations are mitigated by (i) the substantial number of titles available (over 2.5 million), (ii) the Company's ability to maximize available discounts and (iii) its positive relationships with publishers, which are enhanced by the Company's significant purchasing volume.

Publishers periodically offer their excess inventory in the form of remainder books to book retailers and wholesalers through an auction process which generally favors booksellers such as the Company who are able to buy substantial quantities. These books are generally purchased in large quantities at favorable prices and are then sold to consumers at significant discounts off publishers' list prices.

Babbage's Etc. maintains strong relationships with each of the major video game and PC entertainment software manufacturers and publishers. These relationships ensure the Company has early access to "hot" titles and an adequate supply of popular titles and hardware, especially during peak selling seasons. The current management team has placed a strong emphasis on developing an accounts payable tracking system that insures outstanding vendor communications.

Babbage's Etc. purchases substantially all of its products from approximately 200 manufacturers and software publishers and approximately nine distributors. Purchases from the top five vendors (including publishers and distributors) accounted for approximately 45.6% of Babbage's Etc. purchases in fiscal 1999 and no single supplier accounted for more than 12% of Babbage's Etc.'s purchases during this period. Babbage's Etc. is among the top 10 customers of its vendors and believes that it maintains excellent relations with the vendor community. Babbage's Etc. has negotiated selected situational price protections and return privileges with numerous vendors in order to reduce the risk of inventory obsolescence. In addition, Babbage's Etc. does not have contracts with trade vendors and conducts business on an order-by-order basis, a practice that is typical throughout the industry.

Distribution

The Company has invested significant capital in its systems and technology, by building new platforms, implementing new software applications and maintaining efficient distribution centers. Barnes & Noble bookstores operated over one million square feet of distribution centers, as of January 29, 2000. Historically, the Company replenished through its distribution network some of its fast-moving frontlist titles and bargain and self-published books and had the remaining inventory drop-shipped directly to the stores from wholesalers and publishers. Significantly more inventory is now sourced through the Company's distribution centers, increasing direct buying from publishers rather than wholesalers. Improved just-in-time deliveries to stores and increased inventory turnover provide added benefits.

In addition, the Company's distribution network provides a significant competitive advantage for Barnes & Noble.com. By stocking over 750,000 titles, the Company is currently in a position to provide overnight delivery service to online customers at gross margins which allow Barnes & Noble.com to offer very deep discounts.

Babbage's Etc. operates a 200,000 square foot distribution center in Grapevine, Texas, which provides the majority of products to the Babbage's Etc. stores. By operating with a centralized distribution facility, the Company effectively controls and minimizes inventory levels. Technologically advanced conveyor systems and flow-through racks control costs and improve speed of fulfillment. The technology used in the distribution center allows for high-volume receiving, distributions to stores and returns to vendors.

Babbage's Etc. employs a variety of rapid-response distribution methods in its efforts to be the "first-to-market" for "hot" new video game and entertainment software titles. Babbage's Etc. strives to deliver "hot" releases to selected stores within hours of release and to all of its stores within 24 hours of release. To achieve this rapid delivery, Babbage's Etc. utilizes 11 "off-site" contract distribution sites to receive and air freight to all stores "hot" titles with competitive immediacy.

Management Information and Control Systems

The Company has focused a majority of its information resources on strategically positioning and implementing systems to support store operations, merchandising and finance. The Company determined that an open-architecture distributed computing environment would provide the flexibility needed in the future and as a result a migration to a client server platform was initiated.

Building on the Company's previous proprietary inventory management system, during 1996 the Company introduced a new client server store system (BookMaster). BookMaster is an inventory management system with integrated point of sale features that utilizes a proprietary data-warehouse-based replenishment system. It enhances communications and real-time access to our network of stores, distribution center and wholesalers. In addition, implementation of just-in-time replenishment has provided for more rapid replenishment of books to all Barnes & Noble stores, resulting in higher in-stock positions and better productivity at the store level through efficiencies in receiving, cashiering and returns processing. During the 52 weeks ended January 29, 2000 (fiscal 1999), the Company completed the rollout of the BookMaster system.

The Company continues to implement systems to improve efficiencies in back office processing in the human resources, finance and merchandising areas. An offsite business recovery capability has been developed and implemented to assure uninterrupted systems support.

Competition

The retail bookselling business is highly competitive. The Company competes in the superstore business with Borders Group, Inc. and other national chains which have substantially fewer superstores than the Company, and in the mall bookstore business with Walden Book Company, Inc., a subsidiary of Borders Group, Inc. and the largest operator of mall bookstores in the country*. The Company also competes with regional chains, as well as independent single store operators, local multi-store operators, department stores, variety discounters, drug stores and warehouse clubs. Many of the Company's competitors have been expanding in both store size and number of outlets. The Company competes with Internet-based competition from numerous booksellers including online companies, such as Amazon.com, Inc., traditional book retailers and publishers. The Company expects future online competition to intensify.

The video game and entertainment software industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. Babbage's Etc. competes with other video game and PC software specialty stores located in malls and other locations, as well as with mass merchants, toy retail chains, mail-order businesses, catalogs, direct sales by software publishers, online retailers, and office supply, computer product and consumer electronics superstores.

Trademarks and Servicemarks

B. Dalton Bookseller, Bookstar, Book$avers, Babbage's, Supr Software and GameStop are Company-owned service marks registered with the United States Patent and Trademark Office. Barnes & Noble, Doubleday Book Shops and Scribner's Bookstores are federally registered service marks which have been licensed to the Company under long-term license agreements which are royalty-free. These license agreements provide the Company with the exclusive right to use the Doubleday and Scribner's service marks only in connection with the retail sale of books.

Seasonality

The Company's business, like that of many retailers, is seasonal, with the major portion of sales and operating profit realized during the quarter which includes the Christmas selling season. The Company has now reported operating profit for 15 consecutive quarters.

Employees

The Company currently employs approximately 6,400 full-time salaried, 11,500 full-time hourly and 19,500 part-time hourly employees. The Company's employees are not represented by unions and the Company believes that its relationship with its employees is excellent.

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* Based upon information reported in trade publications and public filings.

ITEM 2. PROPERTIES

All but one of the Barnes & Noble stores are leased. The leases typically provide for an initial term of 10 or 15 years with one or more renewal options. The terms of the Barnes & Noble store leases for its 541 leased stores open as of January 29, 2000 expire as follows:

Lease Terms to Expire During (12 months ending on or about January 31)	Number of Stores
2001	6
2002	8
2003	36
2004	35
2005	30
2006 and later	426

All B. Dalton stores are leased. The leases generally provide for an initial 10 year term with no renewal option. The terms of the 400 B. Dalton leases as of January 29, 2000 expire as follows:

Lease Terms to Expire During (12 months ending on or about January 31)	Number of Stores
2001	135
2002	52
2003	39
2004	41
2005	40
2006 and later	93

All Babbage's Etc. stores are leased. The leases generally provide for an initial term of seven to 10 years. The terms of the 526 Babbage's Etc. leases as of January 29, 2000 expire as follows:

Lease Terms to Expire During (12 months ending on or about January 31)	Number of Stores
2001	102
2002	54
2003	77
2004	91
2005	64
2006 and later	138

The Company generally has been able to renew expiring leases on favorable terms, and believes that renewals of leases expiring in the future will not have a material adverse effect on the Company's financial condition or results of operations.

ITEM 3. LEGAL PROCEEDINGS

In March 1998, the American Booksellers Association (ABA) and 26 independent bookstores filed a lawsuit in the United States District Court for the Northern District of California against the Company and Borders Group, Inc. (Borders) alleging violations of the Robinson-Patman Act, the California Unfair Trade Practice Act and the California Unfair Competition Law. The Complaint seeks injunctive and declaratory relief; treble damages on behalf of each of the bookstore plaintiffs, and, with respect to the California bookstore plaintiffs, any other damages permitted by California law; disgorgement of money, property and gains wrongfully obtained in connection with the purchase of books for resale, or offered for resale, in California from March 18, 1994 until the action is completed and pre-judgment interest on any amounts awarded in the action, as well as attorney fees and costs. In October 1999, Barnes & Noble.com was added as a defendant in the action. The Company intends to vigorously defend this action.

In August 1998, The Intimate Bookshop, Inc. and its owner, Wallace Kuralt, filed a lawsuit in the United States District Court for the Southern District of New York against the Company, Borders, Amazon.com, Inc., certain publishers and others alleging violation of the Robinson-Patman Act and other federal law, New York statutes governing trade practices and common law. The Complaint sought certification of a class consisting of all retail booksellers in the United States, whether or not currently in business, which were in business and were members of the ABA at any time during the four year period preceding the filing of the Complaint. The Complaint alleged that the named plaintiffs have suffered damages of $11,250,000 or more and requested treble damages on behalf of the named plaintiffs and each of the purported class members, as well as of injunctive and declaratory relief (including an injunction requiring the closure of all of defendants' stores within 10 miles of any location where plaintiff either has or had a retail bookstore during the four years preceding the filing of the Complaint, and prohibiting the opening by defendants of any bookstore in such areas for the next 10 years), disgorgement of alleged discriminatory discounts, rebates, deductions and payments, punitive damages, interest, costs, attorneys fees and other relief. The plaintiffs subsequently amended their complaint to allege eight causes of action on behalf of the Intimate Bookshop and Wallace Kuralt, accusing the Company and the other defendants of: (i) violating Section 2(f) of the Robinson-Patman Act; (ii) violating Section 2(c) of the Robinson-Patman Act; (iii) violating Section 13(a) of the Clayton Act; (iv) inducing every publisher in the United States to breach contracts with the plaintiffs; (v) interfering with the plaintiff's advantageous business relationships; (vi) engaging in unfair competition; (vii) violating Sections 349 and 350 of the New York General Business Law; and (viii) being unjustly enriched. The class action allegations have been removed and the plaintiffs voluntarily dismissed defendants Harper Collins Publishers, Inc. and Amazon.com, Inc. from the case.

On April 13, 1999, the Company and the other defendants filed a motion to dismiss the second through eighth causes of action in their entireties and for a more definite statement of the remaining allegations of the first cause of action. As a result, the plaintiffs' third through eighth causes of action were dismissed with prejudice, as were all claims asserted by Wallace Kuralt in his individual capacity. The Company served an Answer on April 5, 2000 denying the material allegations of the Complaint and asserting various affirmative defenses. The Company intends to continue to vigorously defend this action.

In fiscal 1999, following the October 28, 1999 acquisition of Babbage's Etc., five shareholder derivative lawsuits were filed in the Chancery Court of the State of Delaware by Harbor Finance Partners, Louis F. Mahler, Ralph Stone, Lawrence G. Metzger and Robert Waring against Barnes & Noble, Inc. and its directors. The lawsuits allege, among other things, a breach of fiduciary duties to Barnes & Noble for the benefit of Leonard Riggio and seek damages and to enjoin or rescind the transaction. The Company believes that the acquisition of Babbage's Etc. is in the best interests of shareholders and that the allegations are without merit. The Company intends to vigorously defend its position.

In addition to the above actions, various claims and lawsuits arising in the normal course of business are pending against the Company. The subject matter of these proceedings primarily includes

commercial disputes and employment issues. The results of these proceedings are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the 13 weeks ended January 29, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "BKS". The following table sets forth, for the periods indicated, the high and low sales prices of the common stock on the NYSE Composite Tape.

	Fiscal 1999		Fiscal 1998	
	High	Low	High	Low
First Quarter	$40 1/4	25 13/16	$39 13/16	30 1/4
Second Quarter	36 3/8	22 1/2	48	31 15/16
Third Quarter	27 1/2	20 1/16	41 11/16	22 3/16
Fourth Quarter	25 3/8	18 1/2	48	26 3/4

Approximate Number of
Holders of Common Equity

Title of Class	Approximate Number of Record Holders as of March 31, 2000
Common stock, $0.001 par value	2,064

Dividends

The terms of the Company's debt agreements prohibits payment of cash dividends. During fiscal 1999, the Company did not declare or pay any cash dividends or make distributions or payments on its common stock.

ITEM 6. SELECTED FINANCIAL DATA

The information included in the Company's Annual Report to Shareholders for the fiscal year ended January 29, 2000 (the Annual Report) under the section entitled "Selected Financial Data" is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information included in the Annual Report under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information included in the Annual Report under the sections entitled: "Consolidated Statements of Operations," "Consolidated Balance Sheets," "Consolidated Statements of Changes in Shareholders' Equity," "Consolidated Statements of Cash Flows" and "Notes to Consolidated Financial Statements" are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information with respect to directors and executive officers of the Company is incorporated herein by reference to the Company's definitive Proxy Statement relating to the Company's 2000 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days of the Company's fiscal year ended January 29, 2000 (the "Proxy Statement").

The information with respect to compliance with Section 16(a) of the Securities Exchange Act is incorporated herein by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information with respect to executive compensation is incorporated herein by reference to the Proxy Statement.

The information with respect to compensation of directors is incorporated herein by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information with respect to certain relationships and related transactions is incorporated herein by reference to the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Consolidated Financial Statements:

(i) "The Report of Independent Certified Public Accountants" included in the Annual Report is incorporated herein by reference.

(ii) The information included in the Annual Report under the sections entitled: "Consolidated Statements of Operations," "Consolidated Balance Sheets," "Consolidated Statements of Changes in Shareholders' Equity," "Consolidated Statements of Cash Flows" and "Notes to Consolidated Financial Statements" are incorporated herein by reference.

(b) The following reports on Form 8-K were filed during the Company's quarter ended January 29, 2000:

On November 12, 1999, the Company filed a Form 8-K reporting under Items 2, 5 and 7. Item 2 provided information concerning the completed acquisition of Babbage's Etc. Item 5 reported information pertaining to lawsuits filed against the Company and its directors with respect to the Babbage's Etc.

transaction and Item 7 filed as an exhibit the Purchase Agreement among the Company, Babbage's Etc. and its owners.

2. Schedules:

All schedules are omitted because the information is either not applicable or is contained in the consolidated financial statements incorporated herein by reference.

3. Exhibits:

The following are filed as Exhibits to this form:

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended. (1)
3.2	Amendment to the Amended and Restated Certificate of Incorporation of the Company filed May 30, 1996. (2)
3.3	Amended and Restated By-laws of the Company. (1)
3.4	Amendment to the Company's By-laws adopted May 31, 1995. (3)
3.5	Certificate of Designation of Preferences and Rights of Preferred Stock, Series H of Barnes & Noble, Inc. (4)
3.6	Certificate of Amendment of The Amended and Restated Certificate of Incorporation of Barnes & Noble, Inc., dated July 17, 1998 and filed July 17, 1998. (4)
4.1	Specimen Common Stock certificate. (1)
4.2	Rights Agreement, dated as of July 10, 1998, between Barnes & Noble, Inc. and The Bank of New York, as Rights Agent. (4)
10.1	Amended and Restated Credit Agreement, dated as of November 18, 1997 (the "Credit Agreement"), among the Company, its subsidiaries, The Chase Manhattan Bank (National Association), as Administrative Agent (the "Agent") and the Banks party thereto. (5)
10.2	Amendment No. 2, dated as of October 21, 1999, to the Credit Agreement. (12)
10.3	Pledge and Security Agreement dated as of March 15, 1996 (the "Pledge Agreement"), among the Company, its subsidiaries and the Agent. (6)
10.4	Second Amendment dated as of October 27, 1999 to the Pledge Agreement. (12)
10.5	Amendment to the Pledge and Security Agreement dated as of November 18, 1997. (5)
10.6	1996 Incentive Plan, as amended. (10)
10.7	1991 Employee Incentive Plan. (1)
10.8	Extended Savings Plan. (1)

Exhibit No.	Description

10.9 Amendment to the Extended Savings Plan dated as of December 22, 1995. (6)

10.10 Amended and Restated Employees' Retirement Plan dated as of January 1, 1998. (5)

10.11 Amendment to the Amended and Restated Employees' Retirement Plan dated as of September 9,1999. (12)

10.12 Amendment to the Amended and Restated Employees' Retirement Plan dated as of March 1, 2000. (12)

10.13 Supplemental Compensation Plan. (7)

10.14 License Agreement for "Barnes & Noble" service mark, dated as of February 11, 1987. (1)

10.15 Consents to "Barnes & Noble" License Agreement Assignments, dated as of November 18, 1988 and November 16, 1992, respectively. (6)

10.16 Employment Agreement between the Company and Mitchell S. Klipper, dated as of April 1, 1993 (the "Employment Agreement"). (8)

10.17 Amendment to the Employment Agreement dated as of April 1, 1998. (5)

10.18 Employment Agreement between the Company and Stephen Riggio, dated as of January 1, 2000. (12)

10.19 Formation Agreement dated November 12, 1998 among Barnes & Noble, Inc., B&N.com Holding Corp., barnesandnoble.com inc., B&N.com Member Corp., Bertelsmann AG and BOL.US Online, Inc. (9)

10.20 Amended and Restated Limited Liability Company Agreement of barnesandnoble.com llc (the "LLC Agreement") among Barnes & Noble, Inc., B&N.com Holding Corp., Bertelsmann AG and BOL.US Online, Inc. (9)

10.21 Amendment No. 1 to the LLC Agreement. (12)

10.22 Supply Agreement, dated as of October 31, 1998, between Barnes & Noble, Inc. and barnesandnoble.com llc. (10)

10.23 Purchase Agreement, dated as of October 6, 1999, among Barnes & Noble, Inc., Babbage's Etc. LLC and its owners. (11)

13.1 The sections of the Company's Annual Report entitled: "Selected Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Consolidated Statements of Operations", "Consolidated Balance Sheets", "Consolidated Statements of Changes in Shareholders' Equity", "Consolidated Statements of Cash Flows", "Notes to Consolidated Financial Statements" and "The Report of Independent Certified Public Accountants". (12)

21.1 List of subsidiaries. (12)

23.1 Consent of BDO Seidman, LLP. (12)

(1) Previously filed as an exhibit to the Company's Registration Statement on Form S-4 (Commission File No. 33-59778) and incorporated herein by reference.

(2) Previously filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended April 27, 1996.

(3) Previously filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended April 29, 1995.

(4) Previously filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended August 1, 1998.

(5) Previously filed as an exhibit to the Company's Form 10K for the fiscal year ended January 31, 1998.

(6) Previously filed as an exhibit to the Company's Form 10-K for the fiscal year ended January 27, 1996.

(7) Previously filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 29, 1995.

(8) Previously filed as an exhibit to the Company's Registration Statement on Form S-1 (Commission File No. 33-50548) and incorporated herein by reference.

(9) Previously filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended October 31, 1998.

(10) Previously filed as an exhibit to the Company's Form 10-K for the fiscal year ended January 29, 2000.

(11) Previously filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on November 12, 1999.

(12) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARNES & NOBLE, INC.

(Registrant)

By: /s/Leonard Riggio	By: /s/Maureen O'Connell	By: /s/Michael Archbold
Leonard Riggio, Chairman of the Board and Chief Executive Officer April 28, 2000	Maureen O'Connell, Chief Financial Officer April 28, 2000	Michael Archbold Vice President, Treasurer (Chief Accounting Officer) April 28, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Leonard Riggio Leonard Riggio	Chairman of the Board and Chief Executive Officer	April 28, 2000
/s/ Stephen Riggio Stephen Riggio	Vice Chairman	April 28, 2000
/s/ Michael N. Rosen Michael N. Rosen	Secretary and Director	April 28, 2000

/s/ Matthew A. Berdon ----------------------------- Matthew A. Berdon	Director	April 28, 2000
/s/ Michael J. Del Giudice ----------------------------- Michael J. Del Giudice	Director	April 28, 2000
/s/ William Dillard II ----------------------------- William Dillard II	Director	April 28, 2000
/s/ Irene R. Miller ----------------------------- Irene R. Miller	Director	April 28, 2000
/s/ Margaret T. Monaco ----------------------------- Margaret T. Monaco	Director	April 28, 2000
/s/ William Sheluck, Jr. ----------------------------- William Sheluck, Jr.	Director	April 28, 2000

Exhibit 10.2

EXECUTION COPY

AMENDMENT No. 2

AMENDMENT NO. 2 (this "Amendment"), dated as of October 21, 1999, among: BARNES & NOBLE, INC., a corporation duly organized and validly existing under the laws of the State of Delaware (the "Company"); each of the Subsidiaries of the Company identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto (individually, a "Subsidiary Guarantor" and, collectively, the "Subsidiary Guarantors" and, together with the Company, the "Obligors"); each of the lenders named under the caption "Lenders" on the signature pages hereto (individually, a "Lender" and, collectively, the "Lenders"); THE CHASE MANHATTAN BANK, in its capacity as Swingline Bank under Section 2.01(b) of the Credit Agreement (in such capacity, together with its successors in such capacity, the "Swingline Bank"); and THE CHASE MANHATTAN BANK, as agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The Company, the Subsidiary Guarantors, the Lenders and the Administrative Agent are parties to an Amended and Restated Credit Agreement dated as of November 18, 1997 (as heretofore modified and supplemented and in effect on the date hereof, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by making of loans and issuing letters of credit) to be made by said Lenders to the Company in an aggregate principal or face amount not exceeding $850,000,000. In connection with the proposed acquisition by the Company (or one of its Subsidiaries) of Babbage's Etc. (as hereinafter defined), the Company, the Subsidiary Guarantors, the Lenders and the Administrative Agent wish to amend the Credit Agreement in certain respects and, accordingly, agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Use of Defined Terms; Rules of Usage. Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in Section 1 of the Credit Agreement for all purposes hereof, including all recitals set forth above; and the rules of interpretation set forth in Section 1 of the Credit Agreement shall apply to this Amendment.

ARTICLE II

AMENDMENTS

SECTION 2.1 New Definitions. Section 1.01 of the Credit Agreement is hereby amended to insert therein in the appropriate alphabetical order the following definitions:

"'Babbage's Etc. Acquisition' shall mean the acquisition by the Company or one of its Subsidiaries of all of the membership interests in Babbage's Etc. for a consideration consisting of cash payable upon the consummation of the acquisition of up to $215,000,000, cash payable in 2001 of up to $10,000,000, cash payable in 2002 of up to $10,000,000 and an additional amount, not to exceed $50,000,000, to repay in full outstanding Indebtedness under Babbage's Etc.'s existing revolving credit facility.

"'Babbage's Etc.' shall mean Babbage's Etc. LLC, a limited liability company organized under the laws of the state of Delaware."

"'Subordinated Debt' shall mean Indebtedness of the Obligors in an aggregate principal amount not to exceed $300,000,000,

(a) which has no scheduled amortization on or prior to the Revolving Credit Commitment Termination Date;

(b) which is subordinated to the prior payment in full in cash of the obligations of the Obligors hereunder and under the other Basic Documents such that (i) no payments in respect of any such Indebtedness (whether principal, interest or otherwise, but excluding certain subordinated securities received in connection with a bankruptcy reorganization of an Obligor and excluding payments made from a sinking, defeasance or similar fund) may be made while any amount under the Credit Agreement or any other Basic Document is due and unpaid, and (ii) no payments (excluding certain subordinated securities received in connection with a bankruptcy reorganization of an Obligor and excluding payments made from a sinking, defeasance or similar fund) in respect of any such Indebtedness may be made during any 179-day period commencing on notice being given to the trustee for the holders of such Indebtedness of the occurrence of any Event of Default (other than a payment default described in the foregoing clause (c)(i)), subject to then-customary limitations on the number of such periods;

(c) the terms and conditions of which will not restrict any of the Obligors from creating any Liens upon any of their respective Properties, whether now owned or hereafter acquired, securing the obligations of the Obligors under this Agreement and the other Basic Documents;

(d) the terms and conditions of which do not contain any provision permitting the maturity of such Indebtedness to be accelerated upon the occurrence of a Default hereunder or Event of Default hereunder (but which may contain a provision permitting acceleration of such Indebtedness upon the acceleration of the Loans hereunder);

(e) the terms and conditions of which contain covenants which are no more restrictive to the Obligors than the covenants in this Agreement; and

(f) the other covenants and events of default of which (when taken as a whole) substantially reflect then-current market terms and conditions for similar issues of subordinated Indebtedness."

SECTION 2.2 Amendment to Definitions. The definition of "Interest Rate Protection Agreement" in Section 1.01 of the Credit Agreement is hereby amended in its entirety to read as follows:

"'Interest Rate Protection Agreement' shall mean, for any Person, a swap, cap, collar or option agreement or similar arrangement between such Person and one or more financial institutions providing for the transfer or mitigation of interest rate or other risks either generally or under specific contingencies."

SECTION 2.3. Amendment to Sublimit for Letters of Credit. Section 2.03 of the Credit Agreement is hereby amended by deleting the figure "$45,000,000" from clause (ii) of the first paragraph of Section 2.03 therein and replacing the same with the figure "$100,000,000".

SECTION 2.4. Amendment to Prohibition of Fundamental Changes. Section 9.05 of the Credit Agreement is hereby amended by deleting the period at the end of clause (d)(v) therein and replacing the same with "; and" and (b) by adding the following immediately after clause (d)(v) therein:

"(vi) the Company or any Subsidiary of the Company may convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, the gamestop.com. division of Babbage's Etc."

SECTION 2.5. Amendment to Limitation on Indebtedness.

(a) Section 9.07 of the Credit Agreement is hereby amended by (a) deleting the period at the end of clause (i) therein and replacing the same with

"; and" and (b) by adding the following immediately after clause (i) therein:

"(j) Subordinated Debt."

(b) Section 9.12 of the Credit Agreement is hereby amended: (a) by adding the words "or any Subordinated Debt" after the words "Senior Subordinated Debt" and (b) by adding the words "or the documents governing such Subordinated Debt" after the words "Senior Subordinated Debt Documents."

SECTION 2.6. Amendment to Limitation on Investments. Section 9.08 of the Credit Agreement is hereby amended by:

(a) adding the following language immediately following the first appearance of the word "to" in clause (j) therein:

"(x) the Babbage's Etc. Acquisition and (y)";

(b) by deleting the figure "$150,000,000" from clause (i) of subparagraph (j) therein and replacing the same with the figure "$250,000,000"; and

(c) by deleting the figure "$75,000,000" from clause (iii) of subparagraph (g) therein and replacing the same with the figure "$100,000,000".

SECTION 2.7. Amendment to Limitation Dividend Payments. Section 9.09 of the Credit Agreement is hereby amended by deleting the figure "$50,000,000" from clause (ii)(x) of subparagraph (b) therein and replacing the same with the figure "$200,000,000".

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.1 Representations and Warranties. The Company represents and warrants to the Lenders as follows:

(a) that the representations and warranties set forth in Section 8 of the Credit Agreement are true and complete on the date hereof as if made on and as of the date hereof (or, if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date) and as if each reference in said Section 8 to "this Agreement" included reference to this Amendment; and

(b) no Default has occurred and is continuing.

ARTICLE IV

CONDITIONS PRECEDENT TO AMENDMENT NO. 2

SECTION 4.1 Conditions Precedent. This Amendment and all amendments to the Credit Agreement as provided for herein shall become effective, as of the date hereof, upon the satisfaction of the following conditions precedent:

(a) Execution. This Amendment shall have been duly executed and delivered by each Obligor, the Administrative Agent, the Swingline Bank and the Majority Lenders.

(b) Purchase Agreement. The Administrative Agent shall have received certified copies of each agreement governing the Babbage's Etc. Acquisition, together with all schedules and exhibits attached thereto.

(c) Release of Liens, Etc. Any outstanding Indebtedness of Babbage's Etc. (including all interest, prepayment premiums and other amounts payable in connection therewith, but excluding any Indebtedness of Babbage's Etc. that will remain outstanding after the Babbage's Etc. Acquisition and is permitted to be outstanding under Section 9.07 of the Credit Agreement) shall have been paid in full, and all Liens securing payment of any such Indebtedness shall have been released and the Agent shall have received appropriate Uniform Commercial Code

Termination Statements, or other appropriate instruments, evidencing such releases. In addition, the Agent shall have received the results of appropriate Uniform Commercial Code searches with respect to Babbage's Etc.

(d) Corporate Documents; Etc. The Administrative Agent shall have received the documents described in Section 7.01(a) of the Credit Agreement with respect to Babbage's Etc., and with respect to any intermediate corporation through which the Company will hold the membership interests in Babbage's Etc. (a "Corporate Member"), together with the certificates representing the capital stock or any other equity interest of Babbage's Etc. and such Corporate Member, duly endorsed in blank in pledge to the Administrative Agent, and such duly executed Uniform Commercial Code financing statements as the Administrative Agent shall have requested in order to perfect the security interests in Property of Babbage's Etc. and such Corporate Member created pursuant to the Security Agreement.

(e) Consents, Etc. The Administrative Agent shall have received certified copies of all documents evidencing any necessary corporate action, consents and governmental approvals (if any) with respect to the Babbage's Etc. Acquisition, including evidence of compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(f) Security Agreement. An Amendment to the Security Agreement, substantially in the form of Exhibit A hereto, shall have been duly authorized, executed and delivered by the Company, the Subsidiary Guarantors (including Babbage's Etc. and any Corporate Member) and the Administrative Agent.

(g) Joinder. A joinder agreement, substantially in the form of Exhibit B hereto, shall have been duly authorized, executed and delivered by Babbage's Etc. and any Corporate Member.

(h) Litigation. A certificate of a senior officer of the Company to the effect that, on and as of the date of the Babbage's Etc. Acquisition, there are no legal or arbitral proceedings, or any proceedings by or before any governmental or regulatory agency, pending or (to the knowledge of the Company) threatened against the Company or any of its Subsidiaries that would reasonably be likely to have, either individually or in the aggregate, a Material Adverse Effect.

ARTICLE V

MISCELLANEOUS

SECTION 5.1 Amendment Fee. The Company promises to pay to each Lender that executes this Amendment on or prior to October 26, 1999 a fee in an amount equal to 1/10 of 1% of such Lender's Revolving Credit Commitment on such day.

SECTION 5.2 Entire Agreement. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect (except that each reference in the Credit Agreement to "this Agreement" shall be deemed to be a reference to the Credit Agreement as amended by this Amendment).

SECTION 5.3 Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment by signing any such counterpart.

SECTION 5.4 Governing Law. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BARNES & NOBLE, INC.

By: /s/Michael Archbold
Name: Michael Archbold
Title: Vice President, Treasurer

SUBSIDIARY GUARANTORS

B. DALTON BOOKSELLER, INC.

By: /s/Michael Archbold
Name: Michael Archbold
Title: Vice President, Treasurer

BARNES & NOBLE BOOKSELLERS, INC.

By: /s/Michael Archbold
Name: Michael Archbold
Title: Vice President, Treasurer

MARBORO BOOKS CORP.

By: /s/Michael Archbold
Name: Michael Archbold
Title: Vice President, Treasurer

DOUBLEDAY BOOK SHOPS, INC.

By: /s/Michael Archbold
Name: Michael Archbold
Title: Vice President, Treasurer

CCI HOLDINGS, INC.

By: /s/Michael Archbold
Name: Michael Archbold
Title: Vice President, Treasurer

LENDERS

THE CHASE MANHATTAN BANK

By: /s/Barry K. Bergman
Name: Barry K. Bergman
Title:Vice President

CIBC INC.

By: /s/ Katherine Bass
Name: Katherine Bass

Title:Executive Director

ING (U.S.) CAPITAL LLC

By: /s/ Bill Redmond

Name: William B. Redmond
Title:Vice President

THE BANK OF NOVA SCOTIA

By: /s/ J. Alan Edwards

Name: J. Alan Edwards
Title:Authorized Signatory

FIRST UNION NATIONAL BANK

By: /s/ John A. Ginter

Name: John A. Ginter
Title:Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ J. Kenneth Biegen

Name: J. Kenneth Biegen
Title:Senior Vice President

COoPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A., "RABOBANK
NEDERLAND", New York Branch

By:
Name:
Title:

By:
Name:
Title:

MELLON BANK, N.A.

By: /s/Richard J. Schaich

Name: Richard J. Schaich
Title:Vice President

DEUTSCHE BANK AG, New York Branch
and/or Cayman Islands Branch

By: /s/William W. McGinty

Name: William W. McGinty
Title:Director

By: /s/Alexander Karow

Name: Alexander Karow
Title:Assistant Vice President

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG

By: /s/Sabine Wendt

Name: Sabine Wendt
Title:Assistant Vice President

By: /s/Wolfgang Bollmann

Name:Wolfgang Bollmann
Title:Senior Vice President

HIBERNIA NATIONAL BANK

By: /s/Troy J. Villafarra

Name: Troy J. Villafarra
Title:Senior Vice President

MERITA BANK PLC, New York Branch

By: /s/Frank Maffei

Name: Frank Maffei
Title:Vice President

By: /s/Clifford Abramsky

Name: Clifford Abramsky
Title:Vice President

CREDIT LYONNAIS, New York Branch

By: /s/Scott R. Chappelka

Name: Scott R. Chappelka
Title:Vice President

THE BANK OF NEW YORK

By: /s/Howard F. Bascom

Name: Howard F. Bascom
Title:Vice President

MERCANTILE BANK OF ST. LOUIS

By: /s/Amanda Smith

Name: Amanda Smith
Title:Officer

STB DELAWARE FUNDING TRUST I

By:
Name:
Title:

SUMMIT BANK

By: /s/Christopher P. Kleczkowski

Name: Christopher P. Kleczkowski
Title:Vice President

WELLS FARGO BANK N.A.

By: /s/Theodoro L. O'Sullivan

Name: Theodoro L. O'Sullivan
Title: Vice President and Relationship Manager

By: /s/Bradley A. Hardy

Name: Bradley A. Hardy
Title: Vice President

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By:
Name:
Title:

THE FUJI BANK, LIMITED,
New York Branch

By: /s/Teiji Teramoto

Name: Teiji Teramoto
Title: Vice President and Manager

ABN-AMRO BANK, N.V.

By: /s/Tracie Elliot

Name: Tracie Elliot
Title: Vice President

By: /s/Bruce Ballentine

Name: Bruce Ballentine
Title: Group Vice President

FIRST HAWAIIAN BANK

By: /s/Charles L. Jenkins

Name: Charles L. Jenkins
Title: Vice President, Manager

THE SUMITOMO BANK, LIMITED,
New York Branch

By: /s/Edward D. Henderson Sr.

Name: Edward D. Henderson Sr.
Title: Senior Vice President

IBJ WHITEHALL BANK & TRUST COMPANY

By: /s/Mark H. Minter

Name: Mark H. Minter
Title: Managing Director

BANK OF MONTREAL

By: /s/R.J. McClorey

Name:R.J. McClorey
Title:Director

THE FIRST NATIONAL BANK OF CHICAGO

By:
Name:
Title:

Allfirst Bank, formerly known as
THE FIRST NATIONAL BANK OF MARYLAND

By: /s/Stewart T. Shettle

Name: Stewart T. Shettle
Title:Vice President

FLEET NATIONAL BANK

By: /s/Thomas J. Bullard

Name: Thomas J. Bullard
Title:Vice President

SAKURA BANK, LIMITED

By: /s/Yoshikazu Nagura

Name: Yoshikazu Nagura
Title:Senior Vice President

THE SANWA BANK LIMITED

By:
Name:
Title:

SUNTRUST BANK, ATLANTA

By: /s/W. David Wisdom

Name:W. David Wisdom
Title:Vice President

By:
Name:
Title:

TOKAI BANK, LTD.

By:
Name:
Title:

WACHOVIA CORPORATE SERVICES, INC.

By: /s/Jennifer A. Mooney

Name: Jennifer A. Mooney
Title:Vice President

BANK ONE NA

By: /s/John Runger

Name:John Runger
Title:Senior Vice President

HSBC BANK USA

By: /s/Anna Yuen

Name:Anna Yuen
Title:Assistant Vice President

SWINGLINE BANK

THE CHASE MANHATTAN BANK

By: /s/Barry K. Bergman

Name: Barry K. Bergman
Title:Vice President

ADMINISTRATIVE AGENT

THE CHASE MANHATTAN BANK

By: /s/Barry K. Bergman

Name: Barry K. Bergman
Title:Vice President

Exhibit 10.4

EXECUTION COPY

SECOND AMENDMENT TO PLEDGE AND SECURITY AGREEMENT

SECOND AMENDMENT TO PLEDGE AND SECURITY AGREEMENT, dated as of October 27, 1999, between BARNES & NOBLE, INC., a corporation duly organized and validly existing under the laws of the State of Delaware (the "Company"); each of the Subsidiaries of the Company identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereof (individually, a "Subsidiary Guarantor" and, collectively, the "Subsidiary Guarantors" and, together with the Company, the "Obligors"); and THE CHASE MANHATTAN BANK, as agent for the lenders or other financial institutions or entities party, as lenders, to the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The Company, the Subsidiary Guarantors, certain lenders and the Administrative Agent (i) are parties to a Amended and Restated Credit Agreement dated as of November 18, 1997 (as modified and supplemented and in effect from time to time, the "Amended and Restated Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by making of loans and issuing letters of credit) to be made by said lenders to the Company in an aggregate principal or face amount not exceeding $850,000,000 (as that amount may be increased as provided therein), and (ii) concurrently herewith and in connection with the Babbage's Etc. Acquisition, are entering into Amendment No. 2 to the Amended and Restated Credit Agreement. The Obligors and the Agent wish to amend the Security Agreement referred to in the Amended and Restated Credit Agreement in certain respects and, accordingly, agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment, terms defined in the Amended and Restated Credit Agreement are used herein as defined therein.

Section 2: Amendments. Subject to the satisfaction of the conditions precedent specified in Section 3 below, but effective as of the date hereof, the Annexes to the Security Agreement shall be amended as follows:

(a) Annex 1. Annex 1 to the Security Agreement shall be amended in its entirety to read as Annex 1 hereto.

(b) Annex 2. Annex 2 to the Security Agreement shall be amended in its entirety to read as Annex 2 hereto.

(c) Annex 3. Annex 3 to the Security Agreement shall be amended in its entirety to read as Annex 3 hereto.

(d) Annex 4. Annex 4 to the Security Agreement shall be amended in its entirety to read as Annex 4 hereto.

(e) Annex 5. Annex 5 to the Security Agreement shall be amended in its entirety to read as Annex 5 hereto.

Section 2. Conditions Precedent. As provided in Section 2 above, the amendments set forth in Section 2 shall become effective, as of the date hereof, upon the due execution and delivery of this Amendment by the Obligors and the Agent.

Section 3. Miscellaneous. Except as herein provided, the Security Agreement shall remain unchanged and in full force and effect. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York.

[signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered as of the day and year first above written.

BARNES & NOBLE, INC.

By /s/Michael Archbold

Title:Vice President, Treasurer

SUBSIDIARY GUARANTORS

B. DALTON BOOKSELLER, INC.

By /s/Michael Archbold

Title:Vice President, Treasurer

BARNES & NOBLE BOOKSELLERS, INC.

By /s/Michael Archbold

Title:Vice President, Treasurer

MARBORO BOOKS CORP.

By /s/Michael Archbold

Title:Vice President, Treasurer

DOUBLEDAY BOOK SHOPS, INC.

By /s/Michael Archbold

Title:Vice President, Treasurer

CCI HOLDINGS, INC.

By/s/Michael Archbold

Title:Vice President, Treasurer

BABBAGE'S ETC. LLC

By /s/Leonard Riggio

Title: Chairman

VENDAMERICA, INC.

By /s/Michael Archbold

Title:Vice President, Treasurer

THE CHASE MANHATTAN BANK,
as Administrative Agent

By /s/Barry K. Bergman

Title:Vice President

ANNEX 1

PLEDGED STOCK

BARNES & NOBLE, INC.

Issuer	Certificate Nos.	Registered Owner	Number of Shares
B. Dalton Bookseller, Inc.	C-1	Barnes & Noble, Inc.	360 shares of common stock, par value $100
Barnes & Noble Booksellers, Inc.	1	Barnes & Noble, Inc.	100 shares of common stock, par value $1
Marboro Books Corp.	4	Barnes & Noble, Inc.	10 shares of common stock, no par value
CCI Holdings, Inc.	1	Barnes & Noble, Inc.	3,000 shares of common stock, par value $1
B&N. Sub Corp	1	Barnes & Noble, Inc.	100 shares of common stock, par value $1

B. DALTON BOOKSELLER, INC.

Issuer	Certificate Nos.	Registered Owner	Number of Shares
Doubleday Book Shops, Inc.	5	B. Dalton Bookseller, Inc.	1,000 shares of common stock, par value $1
Babbage's Etc. LLC	N/A	B. Dalton Bookseller, Inc.	86.5% Membership Interest
Vendamerica, Inc.	2	B. Dalton Bookseller, Inc.	1,000 shares of common stock, no par value

BARNES & NOBLE BOOKSELLERS, INC.

NONE

MARBORO BOOKS CORP.

NONE

DOUBLEDAY BOOK SHOPS, INC.

NONE

CCI HOLDINGS, INC.

NONE

BABBAGE'S ETC. LLC.

NONE

VENDAMERICA, INC

Issuer	Certificate Nos.	Registered Owner	Number of Shares
Babbage's Etc. LLC	N/A	Vendamerica, Inc.	13.5% Membership Interest

ANNEX 2

LIST OF PATENTS AND PATENT APPLICATIONS

BARNES & NOBLE, INC.

File	Patent	Country	Registration No.	Date

NONE

B. DALTON BOOKSELLER, INC.

File	Patent	Country	Registration No.	Date

NONE

BARNES & NOBLE BOOKSELLERS, INC.

File	Patent	Country	Registration No.	Date

NONE

MARBORO BOOKS CORP.

File	Patent	Country	Registration No.	Date

NONE

DOUBLEDAY BOOK SHOPS, INC.

File	Patent	Country	Registration No.	Date

NONE

CCI HOLDINGS, INC.

File	Patent	Country	Registration No.	Date

NONE

BABBAGE'S ETC. LLC

File	Patent	Country	Registration No.	Date

NONE

VENDAMERICA, INC.

File	Patent	Country	Registration No.	Date

NONE

ANNEX 3

LIST OF TRADE NAMES, TRADEMARKS, SERVICES MARKS, TRADEMARK AND SERVICE MARK REGISTRATIONS AND APPLICATIONS FOR TRADEMARK AND SERVICE MARK REGISTRATIONS

A. U.S. Trademarks

BARNES & NOBLE, INC.

Mark	Application (A) Registration (R) or Series (S) No.
Blink	75/320,806(A)
What Are You Reading	75/057,954(A)
Premier Music (Design)	1,903,140(R)
Meet Me at Barnes & Noble	1,910,598(R)
The Book Lover's Second Home	1,930,860(R)
Nite Reader	2,105,941(R)

B. DALTON BOOKSELLER, INC.

Mark	Application (A) Registration (R) or Series (S) No.
Books Dalton	1,667,902 (R)
B. Dalton Jr.	1,684,036 (R)
B. Dalton Jr. (Design)	1,667,039 (R)
Booksavers	1,597,933 (R)
P.B. Pages	1,814,553 (R)
B. Dalton's	1,293,494 (R)
Barnes & Noble Jr. (Design)	1,609,403 (R)

Barnes & Noble Jr.	1,606,005 (R)
B. Dalton Bookseller	846,824 (R)
B. Dalton	1,158,498 (R)

Hooked on Books	1,147,660 (R)
People Who Know Books Know B. Dalton	1,306,552 (R)
Amaranth Press	1,404,928 (R)
Pickwick	1,047,832 (R)
Lamp of Learning (Design)	1,607,811 (R)

BARNES & NOBLE BOOKSELLERS, INC.

Mark	Application (A) Registration (R) or Series (S) No.
Bookstar (Design)	1,558,604 (R)
Amaranth Press	1,404,928(R)

MARBORO BOOKS CORP.

Mark	Application (A) Registration (R) or Series (S) No.
NONE	

CCI HOLDINGS, INC.

Mark	Application (A) Registration (R) or Series (S) No.
NONE	

DOUBLEDAY BOOK SHOPS, INC.

Mark	Application (A) Registration (R) or Series (S) No.
The Old Corner Bookstore	(Mass.) 0025314 (R)
Books of All Publishers Since 1910 (and Design)	1,516,823 (R)

BABBAGE'S ETC. LLC

Mark	Application (A) Registration (R) or Series (S) No.
Babbage's	1,345,315 (R) and 1,569,315 (R)

Mark	Application (A) Registration (R) or Series (S) No.
America's Software for the Home	1,547,310 (R) and 1,553,597 (R)
Babbage's Software for the Home	1,345,205 (R)
Gamestop	1,707,460 (R)

VENDAMERICA, INC.

Mark	Application (A) Registration (R) or Series (S) No.
NONE	

B. U.S. Tradenames

BABBAGE'S ETC. LLC

Mark
Software Etc.

VENDAMERICA, INC.

Mark
NONE

Foreign Trademarks

BARNES & NOBLE, INC.

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)
NONE			

B. DALTON BOOKSELLER, INC.

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)
NONE			

BARNES & NOBLE BOOKSELLERS, INC.

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)

NONE

MARBORO BOOKS CORP.

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)

NONE

DOUBLEDAY BOOK SHOPS, INC.

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)

NONE

CCI HOLDINGS, INC.

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)

NONE

BABBAGE'S ETC. LLC

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)

NONE

VENDAMERICA, INC.

Mark	Application (A) Registration (R)	Country	Registration or Filing Date (F)

NONE

ANNEX 4

LIST OF CONTRACTS, LICENSES AND OTHER AGREEMENTS RELATING TO INTELLECTUAL PROPERTY

BARNES & NOBLE, INC.

License Agreement dated as of February 11, 1989 between Barnes & Noble College Bookstores, Inc. and Barnes & Noble Discount Bookstores, Inc. (a predecessor of B. Dalton Bookseller, Inc.), and Consents to License Agreement Assignments, dated as of November 18, 1988 and November 16, 1992, respectively.

B. DALTON BOOKSELLER, INC.

Letter Agreement dated as of February 21, 1989 from Scribner's Book Companies, Inc. and MacMillan, Inc. to B. Dalton Bookseller, Inc.

BARNES & NOBLE BOOKSELLERS, INC.

NONE

MARBORO BOOKS CORP.

NONE

DOUBLEDAY BOOK SHOPS, INC.

Trade Mark and Service Mark License dated as of May 31, 1990 between Bantam Doubleday Dell Publishing Group, Inc. and Doubleday Book Shops, Inc.

CCI HOLDINGS, INC.

NONE

BABBAGE'S ETC. LLC

NONE

VENDAMERICA, INC.

NONE

ANNEX 5

LIST OF LOCATIONS

BARNES & NOBLE, INC.

1. 122 Fifth Avenue
New York, NY 10011

2. 1400 Old Country Road
Westbury, New York 11590

BARNES & NOBLE BOOKSELLERS, INC.

1. 122 Fifth Avenue
New York, NY 10011

2. 1400 Old Country Road
Westbury, New York 11590

B. DALTON BOOKSELLER, INC.

1. 122 Fifth Avenue
New York, NY 10011

2. 1400 Old Country Road
Westbury, NY 11590

3. 100 Middlesex Center Boulevard
Jamesburg, NJ 08831

4. 331 Herrod Drive
Jamesburg, NJ 08831

5. 308 Herrod Drive
Jamesburg, NJ 08831

MARBORO BOOKS CORP.

1. 122 Fifth Avenue
New York, NY 10011

2. 1400 Old Country Road
Westbury, New York 11590

3. One Pond Road
Rockleigh, NJ 07647

CCI HOLDINGS, INC.

1. 122 Fifth Avenue
New York, NY 10011

2. 1400 Old Country Road
Westbury, NY 11590

3. 6411 Vurleson Road
Austin, TX 78744

DOUBLEDAY BOOK SHOPS, INC.

1. 122 Fifth Avenue
   New York, NY 10011

2. 1400 Old Country Road
   Westbury, New York 11590

BABBAGE'S ETC. LLC

1. 122 Fifth Avenue
   New York, NY 10011

2. 1400 Old Country Road
   Westbury, New York 11590

3. 2250 William D. Tate Avenue
   Grapevine, TX 76051

VENDAMERICA, INC

1. 122 Fifth Avenue
   New York, NY 10011

2. 1400 Old Country Road
   Westbury, New York 11590

3. 2250 William D. Tate Avenue
   Grapevine, TX 76051

Exhibit 10.11

BARNES & NOBLE, INC.

RECORD OF ACTION

Pursuant to authority granted to me in my capacity as Vice President, Human Resources Administration of Barnes & Noble, Inc. (the "Company") by the Board of Directors of the Company (the "Board") at a special meeting of the Board held on November 12, 1998 which extended to me authority to execute such documents or take such actions as may be necessary or appropriate to carryout the intent and purpose of the resolutions adopted at said meeting, the undersigned hereby takes the following action.

RESOLVED, that the Barnes & Noble, Inc. Employees' Retirement Plan be and hereby is amended, effective as of November 1, 1998, as hereinafter indicated:

Appendix C relating to the treatment of transfers between Barnes & Noble, Inc. and one of its affiliated companies and barnesandnoble.com llc, attached hereto and made part hereof, is hereby adopted and annexed to the Barnes & Noble, Inc. Employees' Retirement Plan.

Date: September 9, 1999 /s/Michelle Smith

APPENDIX C. SPECIAL PROVISIONS APPLICABLE TO PARTICIPANTS WHO

TRANSFER DIRECTLY BETWEEN AN EMPLOYER AND

BARNESANDNOBLE.COM LLC

Except as otherwise modified or expanded in this Appendix C, the provisions of this Plan, as contained in the text to which this Appendix is attached, shall determine the benefits payable to or on behalf of a Participant covered under this Appendix. The Plan Sections referenced below are hereby modified or expanded in accordance with the following special provisions applicable to said Participant.

ARTICLE 1. DEFINITIONS

1.09 Certified Earnings

If, after November 1, 1998, a Participant transfers directly from the employ of an Employer to the employ of barnesandnoble.com llc ("Transferred-Out Participant"), the remuneration paid to said Transferred-Out Participant after said transfer and during any period of employment with barnesandnoble.com llc which is recognized under the provisions of Section 3.01 of this Appendix C as Years of Vesting Service shall be recognized as "Certified Earnings" under Section 1.09 and included in the calculation of Final Average Compensation under Section 1.19 of the Plan to the extent such remuneration would have been recognized as Certified Earnings under Section 1.09 of the Plan had it been earned while employed as an Eligible Employee.

Notwithstanding any Plan provisions to the contrary, the provisions of this Section 1.09 of this Appendix C shall cease to be applicable on and after the date the barnesandnoble.com llc Employees' Retirement Plan ceases to provide future benefit accruals for its employees (the "Freeze Date") and any remuneration paid to a Transferred-Out Participant after the Freeze Date shall not be recognized as Certified Earnings under the provisions of the Plan and this Appendix C. Anything contained herein to the contrary notwithstanding, if any Transferred-Out Participant ceases to be employed by barnesandnoble.com llc and is subsequently reemployed by barnesandnoble.com llc remuneration paid to said Participant during the period of subsequent employment with barnesandnoble.com llc shall not be recognized as Certified Earnings under Section 1.09.

If, after November 1, 1998, an Employee transfers directly from the employ of barnesandnoble.com llc to the employ of the Employer, the remuneration paid to said Eligible Employee prior to the transfer and during any period of employment with barnesandnoble.com llc, as an "eligible employee" as such term is defined under the provisions of the barnesandnoble.com llc Employees' Retirement Plan which is recognized under the provisions of Section 3.01 of this Appendix C as Years of Vesting Service shall be recognized as "Certified Earnings" under Section 1.09 and included in the calculation of Final Average Compensation under Section 1.19 of the Plan to the extent such remuneration would have been recognized as Certified Earnings under Section 1.09 of the Plan had it been earned while employed as an Eligible Employee.

1.41 Termination of Employment

If an Employee transfers directly from the employ of an Employer to the employ of barnesandnoble.com llc, a Termination of Employment under the provisions of this Plan shall not be deemed to have occurred while said Employee remains in the continuous employ of barnesandnoble.com llc.

ARTICLE 2. PARTICIPATION

2.02 Determination of Eligibility Service

With respect to an Eligible Employee who after November 1, 1998 transfers directly from the employ of barnesandnoble.com llc to the employ of an Employer, the period of said Employee's service rendered immediately prior to said transfer as an employee of barnesandnoble.com llc shall be recognized as Years of Eligibility Service under Section 2.02 of the Plan, to the extent said period of employment would have been recognized under the Plan had it been rendered as an Employee.

ARTICLE 3. SERVICE

3.01 Years of Vesting Service

If, after November 1, 1998, a Participant transfers directly from the employ of an Employer to the employ of barnesandnoble.com llc, the period of said Participant's employment with barnesandnoble.com llc rendered after said direct transfer shall be recognized as Years of Vesting Service under the provisions of Section 3.01, to the extent said period of employment would have been recognized under the Plan had it been rendered as an Employee. The increases in said Participant's age during any period of employment with barnesandnoble.com llc, which is recognized as Years of Vesting Service under the provisions of this Section 3.01, shall be recognized for eligibility and early retirement subsidy purposes under the provisions of this Plan, and such Participant shall not incur a Termination of Employment under this Plan while he remains in the continuous employ of barnesandnoble.com llc.

Anything contained herein to the contrary notwithstanding, if any such Participant ceases to be employed by barnesandnoble.com llc and is subsequently reemployed by barnesandnoble.com llc, the subsequent employment with barnesandnoble.com llc shall not be recognized as Years of Vesting Service under Section 3.01.

If an Employee, after November 1, 1998, transfers directly from the employ of barnesandnoble.com llc to the employ of the Employer, the period of said Participant's employment with barnesandnoble.com llc rendered prior to said direct transfer shall be recognized as Years of Vesting Service under the provisions of Section 3.01, to the extent said period of employment would have been recognized under the Plan had it been rendered as an Employee.

Exhibit 10.12

BARNES & NOBLE, INC.

RECORD OF ACTION

Pursuant to authority granted to me in my capacity as Vice President, Human Resources Administration, of Barnes & Noble, Inc. (the "Company") by the Board of Directors of the Company (the "Board") by written action in lieu of a meeting of the Board of Directors on November 19, 1999 which extended to me authority to take such actions as may be necessary to carryout the intent of the resolutions adopted by such written action, the undersigned hereby takes the following action:

RESOLVED, that the Barnes & Noble, Inc. Employees' Retirement Plan be, and hereby is, amended, effective as of January 1, 2000, in the following respects:

1. Section 1.09 is amended by the addition of the following sentence to the end thereof:

   "Notwithstanding any Plan provision to the contrary, Certified Earnings shall not include any amount paid to an Eligible Employee on or after January 1, 2000."

2. Section 1.12 is amended by replacing the second sentence thereof with the following:

   "In determining a Participant's Covered Compensation for any Plan Year, the taxable wage base for the current Plan Year and any subsequent Plan Year shall be assumed to be the same as the taxable wage base in effect as of the beginning of the Plan Year for which the determination is made; provided, however, in determining a Participant's Covered Compensation for any Plan Year commencing on or after January 1, 2000, no increases in the taxable wage base, effective after December 31, 1999, shall be taken into account."

3. Section 1.19 is amended by the addition of the following sentence to the end thereof:

   "Notwithstanding any Plan provision to the contrary, Final Average Compensation shall be determined without regard to any Certified Earnings paid on or after January 1, 2000."

4. Section 2.01 is amended by the addition of the following sentence to the end thereof:

   "Notwithstanding the foregoing, no Eligible Employee shall become a Participant on or after January 1, 2000, and participation in the Plan shall be frozen as of said date, except as otherwise provided in Section 3.03."

5. Section 3.02(b) is amended by adding the words "and prior to January 1, 2000" to the end thereof.

6. Section 3.02 is amended by the addition of the following to the end thereof:

   "(e) Notwithstanding any Plan provision to the contrary, Credited Service shall not be counted for any period of service rendered on or after January 1, 2000."

7. Section 1.19 of Appendix B is amended by the addition of the following

to the end thereof:

"Notwithstanding any Plan provision to the contrary, Final Average Compensation shall be determined without regard to any Compensation paid on or after January 1, 2000."

8. Section 2.01(b) of Appendix B is amended by the addition of the following sentence at the end thereof:

   "Notwithstanding the foregoing, no Employee shall become a Participant on or after January 1, 2000, except as otherwise provided in Section 3.03."

9. Section 3.02 of Appendix B is amended by adding in the second sentence thereof between the words "the Employer" and "due to service" the words "prior to January 1, 2000" and by the addition of the following to the end thereof:

   "Notwithstanding any Plan provision to the contrary, Credited Service shall not be counted for any period of service rendered on or after January 1, 2000."

10. Section 1.09 of Appendix C is amended by adding in the first sentence thereof between the words "barnesandnoble.com llc" and "which is recognized" the words "rendered prior to January 1, 2000."

11. Section 1.09 of Appendix C is amended by adding in the first sentence of the third paragraph thereof between the words "Retirement Plan" and "which is recognized" the words "rendered prior to January 1, 2000."

March 1, 2000	/s/Michelle Smith
Date	Vice President, Human Resources Administration

Exhibit 10.18

BARNES & NOBLE, INC.
122 Fifth Avenue
New York, New York 10011

As of January 1, 2000

Mr. Stephen Riggio
81 Post Kunhardt Road
Bernardsville, New Jersey 07924

Dear Mr. Riggio:

This letter agreement is intended to amend and restate the letter agreement between us dated as of July 25, 1993, as amended as of April 1, 1998 (the "Original Agreement"), regarding your employment by Barnes & Noble, Inc. The Original Agreement is hereby amended and restated to read in its entirety as follows:

1. Employment; Duties. Barnes & Noble, Inc. (the "Company") hereby employs you, and you hereby accept employment, as Vice Chairman of the Board of the Company. Your principal duties shall be to oversee and develop investments in the Company's existing and future affiliates, including but not limited to barnesandnoble.com and iUniverse.com, and such other duties and responsibilities as are prescribed by the Chairman of the Board or the Board of Directors of the Company consistent with the office of Vice Chairman of the Company. While you are the Company's employee, you agree to devote your full business time and attention to the performance of your duties and responsibilities as Vice Chairman of the Board of the Company. With your approval and subject to the terms hereof, the Company may also designate you to hold officer and/or director positions on subsidiaries and/or affiliates of the Company.

2. Term. The term of this Agreement will be for a period beginning on the date hereof and ending on the fifth anniversary of the date hereof.

3. Compensation.

3.1. Salary. The Company will pay you, for all services you perform hereunder, an annual salary of $500,000, or such higher amount as the Company may determine, payable in accordance with the Company's payroll schedule applicable to executive officers of the Company.

3.2. Bonus Compensation. In addition to your above-mentioned salary, we will pay you, within 90 days following the end of each fiscal year of the Company during the term of your employment, annual bonus compensation in an amount determined in accordance with the Company's Supplemental Compensation Plan.

3.3. Options and Payments from Affiliates. You shall be eligible to receive from affiliates of the Company stock options and similar incentives, as agreed to by such affiliates. Unless otherwise agreed to by the Company, you shall not be entitled to participate in any incentive stock option or similar incentive plan maintained by the Company. To the extent in any year during the term hereof you receive any cash compensation from any affiliate of the Company for services rendered by you on its behalf, such compensation shall be credited against the annual salary and bonus due to you hereunder for such year.

3.4. Employee Benefits. Except as provided in Section 3.3 above, during the term of your employment, you will participate in and receive any benefits to which you are entitled under employee benefit plans which the Company provides for all employees, as well as those benefits which the Company provides, or may at any time in the future provide, for its executive officers.

3.5. Expenses; Car Allowance. During the term of your employment, we will: (a) pay you a car allowance per month in an amount to be determined by the Company; and (b) reimburse you for all expenses incurred by you in the performance of your duties and responsibilities under this Agreement, including, without limitation, entertainment and travel expenses, in accordance with the policies and procedures established by the Board of Directors of the Company.

3.6. Life and Disability Insurance. In addition to the foregoing, we will obtain in your name a life insurance policy providing for a death benefit of $1,000,000 payable to any beneficiary or beneficiaries named by you, and a disability insurance policy providing for monthly payments to you at a rate of 60% of your then annual salary during the period of any disability until the earlier of your attaining age 65 or death. During the term of your employment, we will pay all premiums due on such policies.

4. Non-Competition.

4.1. Covenant. You agree that so long as you are actively employed under this Agreement or any agreement in renewal hereof and for a period of two years after your voluntary termination of your employment or the termination of your employment by the Company for cause (other than following a change of control of the Company), you will not directly or indirectly either as principal, agent, stockholder, employee or in any other capacity, engage in or have a financial interest in, any business that is competitive with the businesses operated by the Company, its subsidiaries and affiliates.

4.2. Ownership of Other Securities. Nothing herein contained in this Section 4 shall be construed as denying you the right to own securities of any corporation listed on a national securities exchange or quoted in the NASDAQ System to the extent of an aggregate of 5% of the outstanding shares of such securities.

4.3. Reasonableness. You acknowledge that the foregoing limitations are reasonable and properly required by the Company and that in the event that any such limitations are found to be unreasonable by a court of competent jurisdiction, you will submit to the reduction of such limitations as the court shall find reasonable.

4.4. Severability. If any of the restrictions set forth in this Section 4 should for any reason whatsoever be declared invalid by a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions or any other provision of this Agreement will not be adversely affected thereby.

4.5. Remedies. The remedies provided under this Section 4 are non-exclusive and shall be in addition to, and not in lieu of, any rights or remedies that the Company may possess.

5. Severance. In the event your employment is terminated at any time during the term hereof other than as a result of your death, disability or resignation, the Company will continue to pay you the annual salary which you were being paid under Section 3.1 above during the two-year period immediately following the termination of your employment. Such payments shall be in lieu of any other payments which would otherwise be due you under this Agreement.

6. Miscellaneous.

6.1. Entire Agreement. This Agreement constitutes the entire agreement between you and the Company with respect to the terms and conditions of your employment by the Company and supersedes all prior agreements, understandings and arrangements, oral or written, between you and the Company with respect to the subject matter hereof, including without limitation the Original Agreement.

6.2. Binding Effect; Benefits. This Agreement shall inure to the benefit of and shall be binding upon you and the Company and our respective heirs, legal representatives, successors and assigns.

6.3. Amendments and Waivers. This Agreement may not be amended or modified except by an instrument or instruments in writing signed by the party against whom enforcement of any modification or amendment is sought.

Either party may, by an instrument in writing, waive compliance by the other party with any term or provision of this Agreement to be performed or complied with by such other party.

6.4. Assignment. Neither this Agreement nor any rights or obligations which either party may have by reason of this Agreement shall be assignable by either party without the prior written consent of the other party.

6.5. Litigation Expenses. The Company will pay any actual expenses for reasonable attorneys' fees and disbursements incurred by you, or your personal representative, in seeking to obtain or enforce any right or benefit under this Agreement, if you or your representative is the prevailing party.

6.6. No Mitigation. In the event of termination of this Agreement by you as a result of the breach by the Company of any of its obligations hereunder, or in the event of the termination of your employment by the Company in breach of this Agreement, you shall not be required to seek other employment in order to mitigate damages hereunder.

6.7. Notices. Any notice which may or must be given under this Agreement shall be in writing and shall be personally delivered or sent by certified or registered mail, postage prepaid, addressed to the party at his or its respective address as set forth on the first page hereof, or to such other address as he or it may designate in writing in accordance with the provisions of this section.

6.8. Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and are not deemed to be a part of this Agreement or to affect the meaning and interpretation of this Agreement.

6.9. Governing Law. This Agreement shall be construed (both as to validity and performance) and enforced in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed wholly within the State of New York.

If the foregoing accurately reflects our agreement, kindly date, sign and return to us the enclosed duplicate copy of this letter.

Very truly yours,

BARNES & NOBLE, INC.

By: /s/J. Alan Kahn

Name:J. Alan Kahn
Title:Chief Operating Officer

ACCEPTED AND AGREED TO:

/s/Stephen Riggio

Stephen Riggio

Exhibit 10.21

AMENDMENT NO. 1 TO
SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF BARNESANDNOBLE.COM LLC

THIS AMENDMENT NO. 1 (this "Amendment") amends the Second Amended and Restated Limited Liability Company Agreement (the "Restated Agreement") of barnesandnoble.com llc, a Delaware limited liability company (the "Company"), made and entered into, effective as of May 28, 1999, by and among Barnes & Noble, Inc., a corporation organized and existing under the laws of Delaware, with its principal place of business at 122 Fifth Avenue, New York, New York 10011 ("BN"), B&N.com Holding Corp., a corporation organized and existing under the laws of Delaware, with its principal place of business at 122 Fifth Avenue, New York, New York 10011 ("BN Holding"), barnesandnoble.com inc., a corporation organized and existing under the laws of Delaware, with its principal place of business at 76 Ninth Avenue, New York, New York 10011 (the "Public Corp."), Bertelsmann AG, an Aktiengesellschaft organized and existing under the laws of Germany, with its principal place of business at Carl-Bertelsmann-Strasse 270, 33311 Gutersloh, Germany ("BAG"), and BOL.US Online, Inc., a corporation organized and existing under the laws of Delaware, with its principal place of business at 1540 Broadway, New York, New York 10036 ("USO").

WHEREAS, the Company was formed as a limited liability company pursuant to the Delaware Limited Liability Company Law (6 Del. C. Sections 18-101, et seq.) by the filing of a Certificate of Formation with the Office of the Secretary of State of the State of Delaware on October 27, 1998;

WHEREAS, the parties entered into the Restated Agreement to reflect the addition of the Public Corp. as a Member and the sole Manager of the LLC pursuant to the terms and conditions of the Restated Agreement; and

WHEREAS, the parties hereto desire to amend the Restated Agreement, effective as of May 28, 1999, to accurately reflect their understanding with respect to Section 5.4(c) and Schedule I of the Restated Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

Amendment to Section 5.4(c). Section 5.4(c) of the Restated Agreement is hereby amended and restated in its entirety to read as follows:

"When the Gross Asset Value of a Company asset differs from its basis for federal or other income tax purposes, solely for purposes of the relevant tax and not for purposes of computing Capital Account balances, income, gain, loss, deduction and credit with respect to such asset shall be allocated among the Members (i) with respect to any contributions of assets to the Company on or after May 28, 1999, under the traditional method allowed pursuant to Treasury Regulations Section 1.704-3(b), unless otherwise determined by BN Holding and USO, and (ii) with respect to all contributions of assets to the Company before May 28, 1999, under the remedial allocation method under Treasury Regulation Section 1.704-3(d). The members agree

that, as of October 31, 1998, all such differences related to goodwill, and the corresponding remedial allocations shall be made ratably over a fifteen (15) year period."

Amendment to Schedule I. Schedule I of the Restated Agreement is hereby amended and replaced in its entirety by Schedule I attached hereto.

References. Any references in the Restated Agreement to "the Agreement", "this Agreement", "hereof", "herein", "hereunder" or terms of similar import shall mean the Restated Agreement as amended by this Amendment.

No Other Changes. Except as amended hereby, all other terms and provisions of the Restated Agreement remain unchanged and in full force and effect.

Counterparts. This Amendment may be executed in counterparts which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment this 14th day of January, 2000, effective and effectuating their agreement as of May 28, 1999.

Bertelsmann AG

By: /s/ Thomas Middelhoff

Name: Thomas Middelhoff
Title: Chief Executive Officer

BOL.US Online, Inc.

By: /s/ Robert Sorrentino

Name: Robert Sorrentino
Title: President

Barnes & Noble, Inc.

By: /s/ Leonard Riggio

Name: Leonard Riggio
Title: Chairman

B&N.com Holding Corp.

By: /s/ Leonard Riggio

Name: Leonard Riggio
Title: Chairman

barnesandnoble.com inc.

By: /s/ Leonard Riggio

Name: Leonard Riggio
Title: Chairman

SCHEDULE I

MEMBERS; MEMBERSHIP UNITS; CAPITAL ACCOUNTS

Member	Membership Units	Capital Account
barnesandnoble.com inc.	28,750,002 Membership Units	$ 517,500,000
B&N.com Holding Corp.	57,500,000 Membership Units	$1,035,000,000
BOL.US Online, Inc.	57,500,000 Membership Units	$1,035,000,000

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data of Barnes & Noble, Inc. and its wholly owned subsidiaries (collectively, the Company) set forth on the following pages should be read in conjunction with the consolidated financial statements and notes included elsewhere in this report. The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of January. The Statement of Operations Data for the 52 weeks ended January 29, 2000 (fiscal 1999), the 52 weeks ended January 30, 1999 (fiscal 1998) and the 52 weeks ended January 31, 1998 (fiscal 1997) and the Balance Sheet Data as of January 29, 2000 and January 30, 1999 are derived from, and are qualified by reference to, audited consolidated financial statements which are included elsewhere in this report. The Statement of Operations Data for the 53 weeks ended February 1, 1997 (fiscal 1996) and 52 weeks ended January 27, 1996 (fiscal 1995) and the Balance Sheet Data as of January 31, 1998, February 1, 1997 and January 27, 1996 are derived from audited consolidated financial statements not included in this report. Certain prior-period amounts have been reclassified for comparative purposes.

Fiscal Year	1999(1)	1998	1997	1996	1995
(Thousands of dollars, except per share data)					
STATEMENT OF OPERATIONS DATA:					
Sales					
Barnes & Noble stores	$2,821,549	2,515,352	2,245,531	1,861,177	1,349,830
B. Dalton stores	426,018	468,414	509,389	564,926	603,204
Barnes & Noble.com	--	--	14,601	--	--
Other	14,728	21,842	27,331	22,021	23,866
Total bookstore sales	3,262,295	3,005,608	2,796,852	2,448,124	1,976,900
Babbage's Etc. stores	223,748	--	--	--	--
Total sales	3,486,043	3,005,608	2,796,852	2,448,124	1,976,900
Cost of sales and occupancy	2,483,729	2,142,717	2,019,291	1,785,392	1,444,555
Gross profit	1,002,314	862,891	777,561	662,732	532,345
Selling and administrative expenses	651,099	580,609	542,336	467,777	383,692
Depreciation and amortization	112,304	88,345	76,951	59,806	47,881
Pre-opening expenses	6,801	8,795	12,918	17,571	12,160
Restructuring charge(2)	--	--	--	--	123,768
Operating profit (loss)	232,110	185,142	145,356	117,578	(35,156)
Interest expense, net and amortization of deferred financing fees(3)	(23,765)	(24,412)	(37,666)	(38,286)	(28,142)
Equity in net loss of Barnes & Noble.com(4)	(42,047)	(71,334)	--	--	--
Gain on formation of Barnes & Noble.com(5)	25,000	63,759	--	--	--
Other income(6)	27,337	3,414	1,913	2,090	--
Earnings (loss) before provision (benefit) for income taxes, extraordinary charge and cumulative effect of a change in accounting principle	218,635	156,569	109,603	81,382	(63,298)
Provision (benefit) for income taxes	89,637	64,193	44,935	30,157	(10,322)
Earnings (loss) before extraordinary charge and cumulative effect of a change in accounting principle	128,998	92,376	64,668	51,225	(52,976)
Extraordinary charge(7)	--	--	(11,499)	--	--
Cumulative effect of a change in accounting principle	(4,500)	--	--	--	--
Net earnings (loss)	$ 124,498	92,376	53,169	51,225	(52,976)
Earnings (loss) per common share					
Basic					
Earnings (loss) before extraordinary charge and cumulative effect of a change in accounting principle	$ 1.87	1.35	0.96	0.77	(0.85)
Extraordinary charge	$ --	--	(0.17)	--	--
Cumulative effect of a change in accounting principle	$ (0.07)	--	--	--	--

Fiscal Year	1999(1)	1998	1997	1996	1995
(Thousands of dollars, except per share data)					
Net earnings (loss)	$ 1.80	1.35	0.79	0.77	(0.85)
Diluted					
Earnings (loss) before extraordinary charge and cumulative effect of a change in accounting principle	$ 1.81	1.29	0.93	0.75	(0.85)

Extraordinary charge	$ --	--	(0.17)	--	--
Cumulative effect of a change in accounting principle	$ (0.06)	--	--	--	--
Net earnings (loss)	$ 1.75	1.29	0.76	0.75	(0.85)
Weighted average common shares outstanding					
Basic	69,005,000	68,435,000	67,237,000	66,103,000	62,434,000
Diluted	71,354,000	71,677,000	69,836,000	67,886,000	62,434,000
OTHER OPERATING DATA:					
Number of stores					
Barnes & Noble stores(8)	542	520	483	431	358
B. Dalton stores(9)	400	489	528	577	639
Babbage's Etc. stores(10)	526	--	--	--	--
Total	1,468	1,009	1,011	1,008	997
Comparable store sales increase (decrease)(11)					
Barnes & Noble stores	6.1%	5.0%	9.4%	7.3%	6.9%
B. Dalton stores	0.1	(1.4)	(1.1)	(1.0)	(4.3)
Babbage's Etc. stores	12.5	--	--	--	--
Capital expenditures	$ 146,294	141,388	121,903	171,885	154,913
BALANCE SHEET DATA:					
Working capital	$ 318,668	315,989	264,719	212,692	226,500
Total assets	$2,413,791	1,807,597	1,591,171	1,446,647	1,315,342
Long-term debt, less current portions	$ 431,600	249,100	284,800	290,000	262,400
Shareholders' equity	$ 846,360	678,789	531,755	455,989	400,235

(1) Fiscal 1999 includes the results of operations of Babbage's Etc. from October 28, 1999, the date of acquisition.

(2) Restructuring charge includes restructuring and asset impairment losses recognized upon adoption of Statement of Financial Accounting Standards No. 121, "Impairment of Long-Lived Assets and Assets to be Disposed Of."

(3) Interest expense for fiscal 1999, 1998, 1997, 1996 and 1995 is net of interest income of $1,449, $976, $446, $2,288 and $2,138, respectively.

(4) On November 12, 1998, the Company and Bertelsmann AG (Bertelsmann) completed the formation of a limited liability company to operate the online retail bookselling operations of the Company's wholly owned subsidiary, barnesandnoble.com inc. (Barnes & Noble.com Inc.). Barnes & Noble.com Inc. began operations in fiscal 1997. As a result of the formation of barnesandnoble.com llc (Barnes & Noble.com), the Company began accounting for its interest in Barnes & Noble.com under the

equity method of accounting as of the beginning of fiscal 1998. Fiscal 1998 reflects a 100 percent equity interest in Barnes & Noble.com for the first three quarters ended October 31, 1998 (also the effective date of the limited liability company agreement), and a 50 percent equity interest beginning on November 1, 1998 through the end of the fiscal year. As a result of the Barnes & Noble.com Inc. initial public offering (IPO) on May 25, 1999, the Company retained a 40 percent interest in Barnes & Noble.com. Accordingly, fiscal 1999 reflects the Company's 50 percent interest in the net losses of Barnes & Noble.com through the date of the IPO and 40 percent thereafter.

(5) As a result of the formation of the limited liability company, the Company recognized a pre-tax gain during fiscal 1998 in the amount of $126,435, of which $63,759 has been recognized in earnings based on the $75,000 received directly from Bertelsmann and $62,676 ($36,351 after taxes) has been reflected in additional paid-in capital based on the Company's share of the incremental equity of the joint venture resulting from the $150,000 Bertelsmann contribution. As a result of the Barnes & Noble.com Inc. IPO, the Company and Bertelsmann each retained a 40 percent interest in Barnes & Noble.com. The Company recorded an increase in additional paid-in capital of $200,272 ($116,158 after taxes) representing the Company's incremental share in the equity in Barnes & Noble.com. In addition, the Company recognized a pre-tax gain of $25,000 in fiscal 1999 as a result of cash received in connection with the joint venture agreement with Bertelsmann.

(6) Included in other income in fiscal 1999 are pre-tax gains of $22,356 and $10,975 recognized in connection with the Company's investments in NuvoMedia Inc. and Chapters Inc., respectively, as well as a one-time

charge of $5,000 attributable to the termination of the Ingram acquisition and losses from equity investments of $994.

(7) Reflects a net extraordinary charge during fiscal 1997 due to the early extinguishment of debt, consisting of: (i) a pre-tax charge of $11,281 associated with the redemption premium on the Company's senior subordinated notes; (ii) the associated write-off of $8,209 of unamortized deferred finance costs; and (iii) the related tax benefits of $7,991 on the extraordinary charge.

(8) Also includes 10 Bookstop and 23 Bookstar stores as of January 29, 2000.

(9) Also includes 10 Doubleday Book Shops, five Scribner's Bookstores and five smaller format bookstores operated under the

Barnes & Noble trade name representing the Company's original retail strategy as of January 29, 2000.

(10) Includes 265 Software Etc., 216 Babbage's, 40 GameStop and five smaller format stores as of January 29, 2000.

(11) Comparable store sales increase (decrease) is calculated on a 52-week basis, and includes sales of stores that have been open for 12 months for B. Dalton stores and 15 months for Barnes & Noble stores (due to the high sales volume associated with grand openings). Comparable store sales for fiscal years 1999, 1998 and 1997 include relocated Barnes & Noble stores and exclude B. Dalton stores which the Company has closed or has a formal plan to close. Comparable store sales increase for Babbage's Etc. is calculated on a 52-week basis, and includes sales of stores that have been open for 12 months.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of January. As used in this section, "fiscal 1999" represents the 52 weeks ended January 29, 2000, "fiscal 1998" represents the 52 weeks ended January 30, 1999 and "fiscal 1997" represents the 52 weeks ended January 31, 1998.

General

Barnes & Noble, Inc. (Barnes & Noble or the Company), the nation's largest bookseller(1), as of January 29, 2000 operates 942 bookstores and 526 video game and entertainment software stores. Of the 942 bookstores, 542 operate under the Barnes & Noble Booksellers, Bookstop and Bookstar trade names (38 of which were opened in fiscal 1999) and 400 operate under the B. Dalton Bookseller, Doubleday Book Shops and Scribner's Bookstore trade names. Through its 40 percent interest in barnesandnoble.com llc (Barnes & Noble.com), the Company is the second largest seller of books on the Internet and is the exclusive bookseller on America Online (AOL). The Company, through its recent acquisition of Babbage's Etc. LLC (Babbage's Etc.), operates 526 video game and entertainment software stores under the Babbage's, Software Etc. and GameStop trade names, and a Web site, gamestop.com. The Company employed approximately 37,400 full- and part-time employees and created nearly 3,000 new jobs nationwide during fiscal 1999.

Barnes & Noble is the largest operator of book "super" stores in the United States(1) with 542 Barnes & Noble bookstores located in 49 states and the District of Columbia as of January 29, 2000. With more than 30 years of bookselling experience, management has a strong sense of customers' changing needs and the Company leads book retailing with a "community store" concept. Barnes & Noble's typical bookstore offers a comprehensive title base, a cafe, a children's section, a music department, a magazine section and a calendar of ongoing events, including author appearances and children's activities, that make each Barnes & Noble bookstore an active part of its community.

Barnes & Noble bookstores range in size from 10,000 to 60,000 square feet depending upon market size, and each store features an authoritative selection of books, ranging from 60,000 to 175,000 titles. The comprehensive title selection is diverse and reflects local interests. In addition, Barnes & Noble emphasizes books published by small and independent publishers and university presses. Bestsellers represent only 3% of Barnes & Noble bookstore sales. Complementing this extensive on-site selection, all Barnes & Noble bookstores provide customers with access to the millions of books available to online shoppers while offering an option to have the book sent to the store or shipped directly to the customer. During fiscal 1999 the Company completed its rollout of BookMaster, the Company's new in-store operating system, in all Barnes & Noble bookstores. BookMaster enhances the Company's existing merchandise replenishment systems, resulting in higher in-stock positions and better productivity at the store level through efficiencies in receiving, cashiering and returns processing.

During fiscal 1999, the Company added 1.0 million square feet to the Barnes & Noble bookstore base, bringing the total square footage to 12.7 million square feet, a 7% increase over the prior year. Barnes & Noble bookstores contributed more than 86% of the Company's total bookstore sales in fiscal 1999. The Company plans to open between 40 and 45 Barnes & Noble bookstores in fiscal 2000 which are expected to average 26,000 square feet in size.

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(1) Based upon sales reported in trade publications and public filings.

At the end of fiscal 1999, the Company operated 400 B. Dalton bookstores in 45 states and the District of Columbia. B. Dalton bookstores employ merchandising strategies that target the "Middle-American" consumer book market, offering a wide range of bestsellers and general-interest titles. Most B. Dalton bookstores range in size from 2,800 to 6,000 square feet, and while they are appropriate to the size of adjacent mall tenants, the opening of superstores in nearby locations continues to have a significant impact on B. Dalton bookstores.

The Company is continuing to execute a strategy to maximize returns from its B. Dalton bookstores in response to declining sales attributable primarily to superstore competition. Part of the Company's strategy has been to close underperforming stores, which has resulted in the closing of between 40 to 90 B. Dalton bookstores per year since 1989.

In 1998, the Company and Bertelsmann AG (Bertelsmann) completed the formation of a limited liability company to operate the online retail bookselling operations of the Company's wholly owned subsidiary, barnesandnoble.com inc. (Barnes & Noble.com Inc.). The new entity, Barnes & Noble.com, was formed by combining the online bookselling operations of the Company with funds contributed by the international media company Bertelsmann, one of the largest integrated media companies in the world. In 1999, Barnes & Noble.com Inc. completed an initial public offering (IPO) of 28.75 million shares of Class A Common Stock and used the proceeds to purchase a 20 percent interest in Barnes & Noble.com. As a result, the Company and Bertelsmann each retained a 40 percent interest in Barnes & Noble.com.

Barnes & Noble.com has become one of the world's largest Web sites and the fourth largest e-commerce site, according to Media Metrix. Focused largely on the sale of books, music, software, magazines, prints, posters and related products, Barnes & Noble.com has capitalized on the recognized brand value of the Barnes & Noble name to become the second largest, and one of the fastest growing, online distributors of books. Customers can choose from millions of new and out-of-print titles and enjoy a variety of related content such as author chats, book synopses and reader reviews. The site also offers thousands of bargain books discounted up to 91 percent, the most popular software and magazine titles, as well as gift items for every occasion. Barnes & Noble.com recently launched its Prints & Posters Gallery, a unique collection of images that can be produced on demand on museum-quality canvas or high-quality paper, and its eCards service, an exclusive selection of greeting card images that can be personalized and enhanced with animation and music. With access to Barnes & Noble's more than 750,000 in-stock titles, Barnes & Noble.com has the largest standing inventory of any online bookseller ready for immediate delivery. The URL http://www.bn.com makes the site easy to find. The Barnes & Noble.com affiliate network has more than 300,000 members and maintains strategic alliances with major Web portals and content sites, such as AOL, Lycos and MSN. Barnes & Noble.com is also a leader in business-to-business e-commerce with its unique Business Solutions program.

Barnes & Noble further differentiates its product offerings from those of its competitors by publishing books under its own imprints for sale in its retail stores and through Barnes & Noble.com's online and direct-mail book sales. With publishing and distribution rights to over 2,000 titles, Barnes & Noble Books offers customers high-quality books at exceptional values, while generating attractive gross margins.

On October 28, 1999, the Company acquired Babbage's Etc., one of the nation's largest operators of video game and entertainment software stores. As a result of the acquisition, the Company currently

operates 526 video game and entertainment software stores located in 47 states and Puerto Rico. The Company's video game and entertainment software stores range in size from 500 to 5,000 square feet (averaging 1,500 square feet) depending upon market demographics. Stores feature video game hardware and software, PC entertainment software and a multitude of accessories.

Results of Operations

The Company's sales, operating profit, comparable store sales, store openings, store closings, number of stores open and square feet of selling space at year end are set forth below:

Fiscal Year	1999	1998	1997
(Thousands of dollars)			
Sales			
Bookstores (1)	$3,262,295	3,005,608	2,796,852
Video game and entertainment software stores	223,748	--	--
Total	$3,486,043	3,005,608	2,796,852
Operating Profit			
Bookstores (1)	$216,678	185,142	145,356
Video game and entertainment software stores	15,432	--	--
Total	$232,110	185,142	145,356
Comparable Store Sales Increase (Decrease)(2)			
Barnes & Noble stores	6.1%	5.0%	9.4%
B. Dalton stores	0.1	(1.4)	(1.1)
Babbage's Etc. stores	12.5	--	--
Stores Opened			
Barnes & Noble stores	38	50	65
B. Dalton stores	--	4	4
Total	38	54	69
Stores Closed			
Barnes & Noble stores	16	13	13
B. Dalton stores	89	43	53
Total	105	56	66
Number of Stores Open at Year End			
Barnes & Noble stores	542	520	483
B. Dalton stores	400	489	528
Babbage's Etc. stores	526	--	--
Total	1,468	1,009	1,011
Square Feet of Selling Space at Year End (in millions)			
Barnes & Noble stores	12.7	11.9	10.8
B. Dalton stores	1.6	1.9	2.0
Babbage's Etc. stores	0.8	--	--
Total	15.1	13.8	12.8

(1) Included in fiscal 1997 are sales and operating losses associated with Barnes & Noble.com of $14,601 and ($15,395), respectively. Beginning in fiscal 1998 the Company's consolidated statement of operations presents its equity in the results of operations of Barnes & Noble.com as a single line item below operating profit in accordance with the equity method of accounting. The Company's equity in the net loss of Barnes & Noble.com for fiscal 1999 and fiscal 1998 was ($42,047) and ($71,334), respectively.

(2) Comparable store sales for B. Dalton stores are determined using stores open at least 12 months. Comparable store sales for Barnes & Noble stores are determined using stores open at least 15 months, due to the high sales volume associated with grand openings. Comparable store sales for Babbage's Etc. are calculated on a 52-week basis, and include sales of stores that have been open for 12 months.

The following table sets forth, for the periods indicated, the percentage relationship that certain items bear to total sales of the Company:

Fiscal Year	1999	1998	1997
Sales	100.0%	100.0%	100.0%
Cost of sales and occupancy	71.2	71.3	72.2
Gross margin	28.8	28.7	27.8
Selling and administrative expenses	18.7	19.3	19.4
Depreciation and amortization	3.2	2.9	2.8
Pre-opening expenses	0.2	0.3	0.4
Operating margin*	6.7	6.2	5.2
Interest expense, net and amortization of deferred financing fees	(0.7)	(0.8)	(1.4)
Equity in net loss of Barnes & Noble.com	(1.2)	(2.4)	--
Gain on formation of Barnes & Noble.com	0.7	2.1	--
Other income	0.8	0.1	0.1
Earnings before provision for income taxes, extraordinary charge and cumulative effect of a change in accounting principle*	6.3	5.2	3.9
Provision for income taxes*	2.6	2.1	1.6
Earnings before extraordinary charge and cumulative effect of a change in accounting principle*	3.7	3.1	2.3
Extraordinary charge, net	--	--	0.4
Earnings before cumulative effect of a change in accounting principle	3.7	3.1	1.9
Cumulative effect of a change in accounting principle	(0.1)	--	--
Net earnings	3.6%	3.1%	1.9%

*If operating margin, earnings before provision for income taxes, extraordinary charge and cumulative effect of a change in accounting principle, provision for income taxes and earnings before extraordinary charge and cumulative effect of a change in accounting principle were presented without Barnes & Noble.com during fiscal 1997, the percentage relationship that these items would bear to total sales of the Company would be 5.8%, 4.5%, 1.8% and 2.7%.

52 Weeks Ended January 29, 2000 Compared with 52 Weeks Ended January 30, 1999

Sales

The Company's sales increased 16.0% during fiscal 1999 to $3.486 billion from $3.006 billion during fiscal 1998. Contributing to this improvement was a 7.4% increase attributable to the inclusion of Babbage's Etc.'s sales for the fourth quarter of 1999. Babbage's Etc., one of the nation's largest operators of video game and entertainment software stores, was acquired by the Company on October 28, 1999. Fiscal 1999 sales from Barnes & Noble "super" stores, which contributed 80.9% of total sales or 86.5% of total bookstore sales, increased 12.2% to $2.822 billion from $2.515 billion in fiscal 1998.

The increase in bookstore sales was primarily attributable to the 6.1% growth in Barnes & Noble comparable store sales, full year sales from the 50 new stores opened during fiscal 1998 and the opening of an additional 38 Barnes & Noble stores during 1999. This increase was partially offset by declining sales of B. Dalton, due to 89 store closings.

Cost of Sales and Occupancy

The Company's cost of sales and occupancy includes costs such as rental expense, common area maintenance, merchant association dues, lease-required advertising and adjustments for LIFO.

Cost of sales and occupancy increased to $2.484 billion in fiscal 1999 from $2.143 billion in fiscal 1998 primarily due to the inclusion of Babbage's Etc.'s cost of sales and occupancy in the fourth quarter of 1999. The Company's gross margin rate increased to 28.8% in fiscal 1999 from 28.7% in fiscal 1998. This increase was attributable to improved leverage on occupancy costs as well as a favorable merchandise mix in the bookstores, partially offset by lower gross margins in the video game and entertainment software stores.

Selling and Administrative Expenses

Selling and administrative expenses increased $70.5 million, or 12.1% to $651.1 million in fiscal 1999 from $580.6 million in fiscal 1998 partially due to the inclusion of Babbage's Etc.'s selling and administrative expenses in the fourth quarter of 1999. Selling and administrative expenses decreased to 18.7% of sales during fiscal 1999 from 19.3% during fiscal 1998.

Depreciation and Amortization

Depreciation and amortization increased $24.0 million, or 27.1%, to $112.3 million in fiscal 1999 from $88.3 million in fiscal 1998. The increase was primarily the result of the depreciation related to Barnes & Noble stores opened during fiscal 1999 and fiscal 1998, as well as the depreciation on the Company's BookMaster system and the inclusion of Babbage's Etc.'s fourth quarter depreciation and amortization of $3.6 million.

Pre-Opening Expenses

Pre-opening expenses declined in fiscal 1999 to $6.8 million from $8.8 million in fiscal 1998 reflecting the opening of fewer new stores compared with prior years and the first quarter adoption of

Statement of Position 98-5, "Reporting on Costs of Start-up Activities" (SOP 98-5). SOP 98-5 requires an entity to expense all start-up activities (as defined) as incurred. Prior to 1999, the Company amortized costs associated with the opening of new stores over the respective store's first 12 months of operations. The Company recorded a one-time non-cash charge reflecting the cumulative effect of a change in accounting principle in the amount of $4,500 after taxes, representing such start-up costs capitalized as of the beginning of fiscal year 1999. Since adoption, the Company has expensed all such start-up costs as incurred. The effect of the change in accounting principle on earnings in 1999 was immaterial.

Operating Profit

Operating profit increased to $232.1 million in fiscal 1999 from $185.1 million in fiscal 1998. Fiscal 1999 operating profit includes Babbage's Etc.'s fourth quarter 1999 operating profit of $15.4 million. Bookstore operating profit increased 17.1% to $216.7 million. Bookstore operating margin improved to 6.6% of sales during fiscal 1999 from 6.2% of sales in fiscal 1998 reflecting better occupancy leverage and a more favorable product mix.

Interest Expense, Net and Amortization of Deferred Financing Fees

Interest expense, net of interest income, and amortization of deferred financing fees decreased 2.5% to $23.8 million in fiscal 1999 from $24.4 million in fiscal 1998 despite the inclusion of $3.1 million of additional interest expense attributable to the Babbage's Etc. acquisition in fiscal 1999. The decline was the result of strong cash flows and more favorable interest rates under the Company's senior credit facility.

Equity in Net Loss of Barnes & Noble.com

As a result of the formation of the limited liability company with Bertelsmann, the Company began accounting for its interest in Barnes & Noble.com under the equity method of accounting as of the beginning of fiscal 1998. The Company's equity in the net loss of Barnes & Noble.com for fiscal 1998 was $71.3 million. The Company's share in the net loss of Barnes & Noble.com for fiscal 1998 was based on a 100 percent equity interest for the first three quarters ended October 31, 1998 (the effective date of the limited liability company agreement), and a 50 percent equity interest beginning on November 1, 1998 through the end of the fiscal year.

As a result of the Barnes & Noble.com Inc. IPO on May 25, 1999, the Company and Bertelsmann each retained a 40 percent interest in Barnes & Noble.com. Accordingly, the Company's share in the net loss of Barnes & Noble.com for fiscal 1999 was based on a 50 percent equity interest from the beginning of fiscal 1999 through May 25, 1999 and 40 percent thereafter. The Company's equity in the net loss of Barnes & Noble.com for fiscal 1999 was $42.0 million.

Gain on Formation of Barnes & Noble.com

As a result of the formation of the limited liability company, resulting in the receipt of $75 million by the Company from Bertelsmann, a gain was recorded in fiscal 1998 in the amount of $63.8 million. The gain represents the excess of the amount received over the portion of the net assets of Barnes & Noble.com sold by the Company to Bertelsmann.

Under the terms of the November 12, 1998 joint venture agreement between the Company and

Bertelsmann, the Company received a $25 million payment from Bertelsmann in fiscal 1999 in connection with the Barnes & Noble.com IPO.

Other Income

Other income increased to $27.3 million in fiscal 1999 from $3.4 million in fiscal 1998. This increase was primarily attributable to the following transactions which occurred in fiscal 1999:

The Company and the Ingram Book Group (Ingram) announced their agreement to terminate the Company's planned acquisition of Ingram. The Company's application before the Federal Trade Commission for the purchase was formally withdrawn. As a result, other income reflects a one-time charge of $5.0 million for acquisition costs. These costs relate primarily to legal, accounting and other transaction related costs incurred in connection with the proposed acquisition of Ingram.

The Company sold a portion of its investment in Chapters Inc. (Chapters) resulting in a pre-tax gain of $11.0 million.

The Company recognized a pre-tax gain of $22.4 million in connection with the sale of its investment in NuvoMedia Inc. (NuvoMedia) to Gemstar International Ltd., a publicly traded company.

Provision for Income Taxes

Barnes & Noble's effective tax rate was 41 percent during both fiscal 1999 and fiscal 1998.

Earnings

Fiscal 1999 earnings increased $32.1 million, or 34.8%, to $124.5 million (or $1.75 per diluted share) from $92.4 million (or $1.29 per diluted share) during fiscal 1998. Components of earnings per share are as follows:

Fiscal Year	1999	1998
Retail Earnings Per Share		
Bookstores	$1.62	1.32
Babbage's Etc.	0.10	--
Retail EPS	$1.72	1.32
EPS Impact of Investing Activities		
Cash:		
Gain on Barnes & Noble.com	$0.21	0.53
Gain on partial sale of Chapters	0.09	--
Non-cash:		
Share in net losses of Barnes & Noble.com	(0.35)	(0.59)
Share of net earnings (losses) from other equity investments	(0.01)	0.03
Gain on sale of investment in NuvoMedia	0.19	--
Total Investing Activities	$0.13	(0.03)
Other Adjustments		
Ingram write-off	$(0.04)	--
Change in accounting for pre-opening costs	(0.06)	--
Total Other Adjustments	$(0.10)	--
Consolidated EPS	$1.75	1.29

52 Weeks Ended January 30, 1999 Compared with 52 Weeks Ended January 31, 1998

Sales

The Company's sales increased 7.5% during fiscal 1998 to $3.006 billion from $2.797 billion during fiscal 1997. Fiscal 1998 sales from Barnes & Noble stores, which contributed 83.7% of total sales, increased 12.0% to $2.515 billion from $2.246 billion in fiscal 1997.

The increase in sales was primarily due to the 5.0% increase in Barnes & Noble comparable store sales and the opening of an additional 50 Barnes & Noble stores during 1998. This increase was slightly offset by declining sales of B. Dalton, due to 43 store closings and a comparable store sales decline of 1.4%. In addition, fiscal 1997 includes Barnes & Noble.com sales of $14.6 million whereas fiscal 1998 does not include sales for Barnes & Noble.com due to the conversion to the equity method of accounting as of the beginning of the year. Excluding Barnes & Noble.com sales in fiscal 1997, retail sales increased 8.0% during fiscal 1998.

Cost of Sales and Occupancy

The Company's cost of sales and occupancy includes costs such as rental expense, common area maintenance, merchant association dues, lease-required advertising and adjustments for LIFO.

Cost of sales and occupancy increased to $2.143 billion in fiscal 1998 from $2.019 billion in fiscal 1997. The Company's gross margin rate increased to 28.7% in fiscal 1998 from 27.8% in fiscal 1997. Excluding Barnes & Noble.com in fiscal 1997 the retail gross margin rate was 27.9%. The fiscal 1998 improvement in gross margin reflects more direct buying, increased distribution center efficiencies, better shrinkage control and a more-favorable merchandise mix.

Selling and Administrative Expenses

Selling and administrative expenses increased $38.3 million, or 7.1% to $580.6 million in fiscal 1998 from $542.3 million in fiscal 1997. Selling and administrative expenses decreased slightly to 19.3% of sales during fiscal 1998 from 19.4% during fiscal 1997 primarily as a result of the start-up expenses from Barnes & Noble.com included in the fiscal 1997 results. Excluding Barnes & Noble.com, retail selling and administrative expenses would have been 18.9% of sales in fiscal 1997 and total retail selling and administrative expenses would have increased 10.1% in fiscal 1998. The fiscal 1998 increase in retail selling and administrative expenses reflects the opening of an additional 50 Barnes & Noble stores, the full year implementation of a new wage plan and expenses associated with new store system enhancements.

Depreciation and Amortization

Depreciation and amortization increased $11.3 million, or 14.8%, to $88.3 million in fiscal 1998 from $77.0 million in fiscal 1997. The increase was primarily the result of the new Barnes & Noble stores opened during fiscal 1998 and fiscal 1997, as well as new store system enhancements made during fiscal 1998.

Pre-Opening Expenses

Pre-opening expenses declined in fiscal 1998 to $8.8 million from $12.9 million in fiscal 1997 reflecting fewer new stores compared with prior years.

Operating Profit

Operating profit increased to $185.1 million in fiscal 1998 from $145.4 million in fiscal 1997. Excluding the $15.4 million operating loss for Barnes & Noble.com included in fiscal 1997, retail operating margin improved to 6.2% of sales during fiscal 1998 from 5.8% of sales in fiscal 1997.

Interest Expense, Net and Amortization of Deferred Financing Fees

Interest expense, net of interest income, and amortization of deferred financing fees decreased 35.2% or $13.3 million in fiscal 1998 to $24.4 million from $37.7 million in fiscal 1997. The decline was the result of the retirement of $190 million in 11 7/8% senior subordinated notes on January 15, 1998 as well as the more-favorable rate environment and lower spreads over the London Interbank Offer Rate (LIBOR) in effect since the November 1997 refinancing.

Equity in Net Loss of Barnes & Noble.com

As a result of the formation of the limited liability company with Bertelsmann, the Company began accounting for its interest in Barnes & Noble.com under the equity method of accounting as of the beginning of fiscal 1998. The Company's equity in the net loss of Barnes & Noble.com for fiscal 1998 was $71.3 million. This reflects a 100 percent equity interest for the first three quarters ended October 31, 1998 (also the effective date of the limited liability company agreement), and a 50 percent equity interest beginning on November 1, 1998 through the end of the fiscal year. Had the Company reported the results of Barnes & Noble.com under the equity method of accounting during fiscal 1997, its fiscal 1997 equity in the net loss of Barnes & Noble.com would have been $15.4 million.

Gain on Formation of Barnes & Noble.com

As a result of the formation of the limited liability company, resulting in the receipt of $75 million by the Company from Bertelsmann, a gain was recorded in fiscal 1998 in the amount of $63.8 million. The gain represents the excess of the amount received over the portion of the net assets of Barnes & Noble.com sold by the Company to Bertelsmann.

Other Income

Other income increased to $3.4 million in fiscal 1998 from $1.9 million in fiscal 1997 as a result of increased equity earnings from minority investments in Chapters and Calendar Club LLC.

Provision for Income Taxes

Barnes & Noble's effective tax rate was 41 percent during both fiscal 1998 and fiscal 1997.

Earnings

Fiscal 1998 earnings before extraordinary charge increased $27.7 million, or 42.8%, to $92.4 million (or $1.29 per diluted share) from $64.7 million (or $0.93 per diluted share) during fiscal 1997. Before the effect of Barnes & Noble.com, retail earnings before extraordinary charge increased $23.0 million, or 31.3% to $96.8 million (or $1.35 per diluted share) from $73.8 million (or $1.06 per diluted share).

Seasonality

The Company's business, like that of many retailers, is seasonal, with the major portion of sales and operating profit realized during the quarter which includes the Christmas selling season. The Company has now reported operating profit for 15 consecutive quarters.

Liquidity and Capital Resources

Working capital requirements are generally at their highest during the Company's fiscal quarter ending on or about January 31 due to the higher payments to vendors for holiday season merchandise purchases and the replenishment of merchandise inventories following this period of increased sales. In addition, the Company's sales and merchandise inventory levels will fluctuate from quarter-to-quarter as a result of the number and timing of new store openings, as well as the amount and timing of sales contributed by new stores.

Cash flows from operating activities, funds available under its revolving credit facility and vendor financing continue to provide the Company with liquidity and capital resources for store expansion, seasonal working capital requirements and capital investments.

Cash Flow

Cash flows provided from operating activities were $187.3 million, $177.7 million and $167.3 million during fiscal 1999, 1998 and 1997, respectively. In fiscal 1999, the improvement in cash flows was primarily due to the improvement in net earnings. Fiscal 1997 cash flows from operating activities without Barnes & Noble.com were $180.0 million. The slight decrease in retail operating cash flows in fiscal 1998 was due to a strategic increase in the distribution center standing inventory, the implementation of a new wage plan in fiscal 1998 and increased operating expenses associated with implementing the Company's new store system enhancements.

Retail earnings before interest, taxes, depreciation and amortization (EBITDA) increased $70.9 million or 25.9% to $344.4 million in fiscal 1999 from $273.5 million in fiscal 1998. This significant improvement in EBITDA is a combination of the inclusion of Babbage's Etc. and the continuing maturation of the Barnes & Noble stores. Total debt to retail EBITDA (excluding the effect of the Babbage's Etc. acquisition) decreased to .68 times in fiscal 1999 from .91 times in fiscal 1998. Including the effect of the acquisition of Babbage's Etc., total debt to retail EBITDA increased to 1.25 times in fiscal 1999, primarily attributable to the debt incurred to fund the acquisition of Babbage's Etc. The weighted-average age per square foot of the Company's 542 Barnes & Noble stores was 3.9 years as of January 29, 2000 and is expected to increase to approximately 4.5 years by February 3, 2001. As the relatively young Barnes & Noble stores mature, and as the number of new stores opened during the fiscal year decreases as a percentage of the existing store base, the increasing operating profits of Barnes &

Noble stores are expected to generate a greater portion of cash flows required for working capital, including new store inventories as well as capital expenditures and other initiatives. Additionally, due to the Barnes & Noble.com IPO in fiscal 1999, retail cash flows are now fully available to support the Company's working capital requirements.

Capital Structure

Continued strong cash flows from operations and a continued emphasis on working capital management, once again strengthened the Company's balance sheet in fiscal 1999. Shareholders' equity increased 24.7% to $846.4 million as of January 29, 2000, from $678.8 million as of January 30, 1999. Return on average equity increased to 16.3% in fiscal 1999 from 15.3% during fiscal 1998.

The Company has an $850 million senior credit facility (the Facility), obtained in November 1997, with a syndicate led by The Chase Manhattan Bank. The Facility is structured as a five-year revolving credit. The Facility permits borrowings at various interest rate options based on the prime rate or LIBOR depending upon certain financial tests. In addition, the agreement requires the Company to pay a commitment fee up to 0.25% of the unused portion depending upon certain financial tests. The Facility contains covenants, limitations and events of default typical of credit facilities of this size and nature.

The amount outstanding under the Facility has been classified as long-term debt in the accompanying consolidated balance sheets due to both its terms and the Company's intent and ability to maintain principal amounts outstanding through November 2002.

Borrowings under the Company's senior credit facilities averaged $397.1 million, $380.3 million and $105.1 million and peaked at $693.5 million, $535.0 million and $304.9 million during fiscal 1999, 1998 and 1997, respectively. Despite the increase in average and peak borrowings in fiscal 1999 primarily attributable to the Babbage's Etc. acquisition, interest expense decreased 2.5% to $23.8 million in fiscal 1999 from $24.4 million in fiscal 1998 as a result of more favorable interest rates under the Company's senior credit facility. The ratio of debt to equity increased to 0.51:1.00 as of January 29, 2000 from 0.37:1.00 as of January 30, 1999, primarily attributable to the increased borrowings to fund the Babbage's Etc. acquisition.

Capital Investment

Capital expenditures totaled $146.3 million, $141.4 million and $121.9 million during fiscal 1999, 1998 and 1997, respectively. Capital expenditures in fiscal 2000, primarily for the opening of between 40 and 45 new Barnes & Noble stores and 90 new Babbage's Etc. stores, are expected to be between $120 million and $130 million, although commitment to such expenditures has not yet been made.

Based on current operating levels and the store expansion planned for the next fiscal year, management believes cash flows generated from operating activities, short-term vendor financing and its borrowing capacity under its revolving credit facility will be sufficient to meet the Company's working capital and debt service requirements, and support the development of its short- and long-term strategies for at least the next 12 months.

In fiscal 1999, the Board of Directors authorized a common stock repurchase program for the purchase of up to $250.0 million of the Company's common shares. As of January 29, 2000, the Company has repurchased 4,025,900 shares at a cost of approximately $86.8 million under this program. The

repurchased shares are held in treasury.

On July 10, 1998, the Board of Directors of the Company declared a dividend of one Preferred Share Purchase Right (a Right) for each outstanding share of the Company's common stock (Common Stock). The distribution of the Rights was automatically made on July 21, 1998 to stockholders of record on that date. Each Right entitles the holder to purchase from the Company one four-hundredth of a share of a new series of preferred stock, designated as Series H Preferred Stock, par value $.001 per share (the Preferred Stock), at a price of $225 per one four-hundredth of a share. The Rights will be exercisable only if a person or group acquires 15 percent or more of the Company's outstanding Common Stock or announces a tender offer or exchange offer, the consummation of which would result in such person or group owning 15 percent or more of the Company's outstanding Common Stock. For a further discussion of the terms of the Preferred Stock and Rights see Note 13 of Notes to Consolidated Financial Statements.

Formation of Barnes & Noble.com

On November 12, 1998, the Company and Bertelsmann completed the formation of a joint venture to operate the online retail bookselling operations of the Company's wholly owned subsidiary, Barnes & Noble.com Inc. The new entity, Barnes & Noble.com, was structured as a limited liability company. Under the terms of the relevant agreements, effective as of October 31, 1998, the Company and Bertelsmann each retained a 50 percent membership interest in Barnes & Noble.com. The Company contributed substantially all of the assets and liabilities of its online operations to the joint venture and Bertelsmann paid $75.0 million to the Company and made a $150.0 million cash contribution to the joint venture. Bertelsmann also agreed to contribute an additional $50.0 million to the joint venture for future working capital requirements. The Company recognized a pre-tax gain during fiscal 1998 in the amount of $126.4 million, of which $63.8 million was recognized in earnings based on the $75.0 million received directly and $62.7 million ($36.4 million after taxes) was reflected in additional paid-in capital based on the Company's share of the incremental equity of the joint venture resulting from the $150.0 million Bertelsmann contribution.

On May 25, 1999, Barnes & Noble.com Inc. completed an IPO of 28.75 million shares of Class A Common Stock and used the proceeds to purchase a 20 percent interest in Barnes & Noble.com. As a result, the Company and Bertelsmann each retained a 40 percent interest in Barnes & Noble.com. The Company recorded an increase in additional paid-in capital of $200.3 million ($116.2 million after taxes) representing the Company's incremental share in the equity of Barnes & Noble.com. The Company will continue to account for its investment under the equity method.

Under the terms of the November 12, 1998 joint venture agreement between the Company and Bertelsmann, the Company received a $25.0 million payment from Bertelsmann in connection with the IPO.

The accompanying consolidated financial statements, in accordance with the equity method of accounting, reflect the Company's investment in Barnes & Noble.com as a single line item in the consolidated balance sheets as of January 29, 2000 and January 30, 1999 and reflect the Company's interest in the net loss of Barnes & Noble.com as a single line item in the consolidated statements of operations for fiscal years 1999 and 1998, as if the formation of the joint venture had occurred at the beginning of fiscal 1998. The Company's share in the net loss of Barnes & Noble.com for fiscal 1998 was based on a 100 percent equity interest for the first three quarters ended October 31, 1998 (the effective date of the limited liability company agreement), and a 50 percent equity interest beginning on

November 1, 1998 through the end of the fiscal year.

As a result of the Barnes & Noble.com Inc. IPO on May 25, 1999, the Company and Bertelsmann each retained a 40 percent interest in Barnes & Noble.com. Accordingly, the Company's share in the net loss of Barnes & Noble.com for fiscal 1999 was based on a 50 percent equity interest from the beginning of fiscal 1999 through May 25, 1999 and 40 percent thereafter. The accompanying consolidated financial statements reflect the financial position and results of operations of Barnes & Noble.com as a consolidated wholly owned subsidiary in fiscal 1997.

Acquisition of Babbage's Etc.

On October 28, 1999, the Company acquired Babbage's Etc., one of the nation's largest operators of video game and entertainment software stores, for approximately $183 million in cash plus the assumption of $26 million in certain liabilities. If financial performance targets are met over the next two fiscal years, Barnes & Noble will make additional payments of approximately $10 million in 2001 and approximately $10 million in 2002. The acquisition was accounted for by the purchase method. The excess of purchase price over the net assets acquired, in the amount of approximately $202 million has been recorded as goodwill and is being amortized using the straight-line method over an estimated useful life of 30 years. Babbage's Etc.'s results of operations for the fourth quarter ended January 29, 2000 are included in the consolidated financial statements.

Newly Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) which establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS 133 requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. The Company will adopt SFAS 133 as required for its first quarterly filing of fiscal year 2001.

The Company from time to time enters into interest rate swap agreements for the purpose of hedging risks attributable to changing interest rates associated with the Company's revolving credit facility, and, in general, such hedges have been fully effective. The Company may from time to time, enter into interest rate swaps in the future and these transactions are expected to substantially offset the effects of changes in the underlying variable interest rates. The Company does not believe that adoption of SFAS 133 will have a material effect on its consolidated financial statements.

In December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB 101 did not impact the Company's revenue recognition policies.

Year 2000

The Company completed its Year 2000 compliance plan during 1999. The total costs incurred to implement the plan were approximately $4.3 million. The conversion to the Year 2000 occurred without any disruptions to the Company's critical business systems either internally or from outside sources. The Company has no reason to believe that Year 2000 failures will materially affect it in the future. However,

since it may take several additional months before it is known whether the Company or third party vendors, suppliers or service providers may have encountered Year 2000 problems, no assurances can be given that the Company will not experience disruptions as a result of Year 2000 compliance failures. The Company will continue to monitor Year 2000 exposures both internally and with its vendors, suppliers and service providers. Such monitoring will be ongoing and encompassed in normal operations. Associated costs are not expected to be significant.

Disclosure Regarding Forward-Looking Statements

This report may contain certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to the Company that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks, including among others general economic and market conditions, decreased consumer demand for the Company's products, possible disruptions in the Company's computer or telephone systems, increased or unanticipated costs or effects associated with Year 2000 compliance by the Company or its service or supply providers, possible work stoppages or increases in labor costs, possible increases in shipping rates or interruptions in shipping service, effects of competition, possible disruptions or delays in the opening of new stores or the inability to obtain suitable sites for new stores, higher than anticipated store closing or relocation costs, higher interest rates, the performance of the Company's online initiatives such as Barnes & Noble.com, unanticipated increases in merchandise or occupancy costs, unanticipated adverse litigation results or effects, and other factors which may be outside of the Company's control. In addition, the video game market has historically been cyclical in nature and dependent upon the introduction of new generation systems and related interactive software. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph.

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Year	1999	1998	1997
(Thousands of dollars, except per share data)			
Sales	$3,486,043	3,005,608	2,796,852
Cost of sales and occupancy	2,483,729	2,142,717	2,019,291
Gross profit	1,002,314	862,891	777,561
Selling and administrative expenses	651,099	580,609	542,336
Depreciation and amortization	112,304	88,345	76,951
Pre-opening expenses	6,801	8,795	12,918
Operating profit	232,110	185,142	145,356
Interest (net of interest income of $1,449, $976 and $446, respectively) and amortization of deferred financing fees	(23,765)	(24,412)	(37,666)
Equity in net loss of Barnes & Noble.com	(42,047)	(71,334)	--
Gain on formation of Barnes & Noble.com	25,000	63,759	--
Other income	27,337	3,414	1,913
Earnings before provision for income taxes, extraordinary charge and cumulative effect of a change in accounting principle	218,635	156,569	109,603
Provision for income taxes	89,637	64,193	44,935
Earnings before extraordinary charge and cumulative effect of a change in accounting principle	128,998	92,376	64,668
Extraordinary charge due to early extinguishment of debt, net of tax benefits of $7,991	--	--	(11,499)
Cumulative effect of a change in accounting principle, net of tax benefits of $3,125	(4,500)	--	--
Net earnings	$124,498	92,376	53,169
Earnings per common share			
Basic			
Earnings before extraordinary charge and cumulative effect of a change in accounting principle	$ 1.87	1.35	0.96
Extraordinary charge due to early extinguishment of debt, net of tax benefits	$ --	--	(0.17)
Cumulative effect of a change in accounting principle, net of tax benefits	$ (0.07)	--	--
Net earnings	$ 1.80	1.35	0.79
Diluted			
Earnings before extraordinary charge and cumulative effect of a change in accounting principle	$ 1.81	1.29	0.93
Extraordinary charge due to early extinguishment of debt, net of tax benefits	$ --	--	(0.17)
Cumulative effect of a change in accounting principle, net of tax benefits	$ (0.06)	--	--
Net earnings	$ 1.75	1.29	0.76
Weighted average common shares outstanding			
Basic	69,005,000	68,435,000	67,237,000
Diluted	71,354,000	71,677,000	69,836,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except per share data)	January 29, 2000	January 30, 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 24,247	31,081
Receivables, net	58,240	57,523
Merchandise inventories	1,102,453	945,073
Prepaid expenses and other current assets	56,579	54,634
Total current assets	1,241,519	1,088,311
Property and equipment:		
Land and land improvements	3,247	3,197
Buildings and leasehold improvements	417,535	383,292
Fixtures and equipment	565,345	440,488
	986,127	826,977
Less accumulated depreciation and amortization	418,078	316,631
Net property and equipment	568,049	510,346
Intangible assets, net	298,011	86,980
Investment in Barnes & Noble.com	240,531	82,307
Other noncurrent assets	65,681	39,653
Total assets	$2,413,791	1,807,597
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 599,376	498,237
Accrued liabilities	323,475	274,085
Total current liabilities	922,851	772,322
Long-term debt	431,600	249,100
Deferred income taxes	125,006	32,449
Other long-term liabilities	87,974	74,937
Shareholders' equity:		
Common stock; $.001 par value; 300,000,000 shares authorized; 69,553,839 and 68,759,111 shares issued, respectively	70	69
Additional paid-in capital	654,584	523,517
Accumulated other comprehensive loss	(1,198)	--
Retained earnings	279,701	155,203
Treasury stock, at cost, 4,025,900 shares at January 29, 2000	(86,797)	--
Total shareholders' equity	846,360	678,789
Commitments and contingencies	--	--
Total liabilities and shareholders' equity	$2,413,791	1,807,597

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of dollars)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock at Cost	Total
Balance at February 1, 1997	$ 66	446,265	--	9,658	--	455,989

Comprehensive earnings:						
Net earnings	--	--	--	53,169	--	
Total comprehensive earnings						53,169
Exercise of 1,545,580 common stock options, including tax benefits of $8,253	2	22,595	--	--	--	22,597
Balance at January 31, 1998	68	468,860	--	62,827	--	531,755
Comprehensive earnings:						
Net earnings	--	--	--	92,376	--	
Total comprehensive earnings						92,376
Exercise of 837,281 common stock options, including tax benefits of $9,002	1	18,306	--	--	--	18,307
Barnes & Noble.com issuance of membership units (net of deferred income taxes of $26,325)	--	36,351	--	--	--	36,351
Balance at January 30, 1999	69	523,517	--	155,203	--	678,789
Comprehensive earnings:						
Net earnings	--	--	--	124,498	--	
Other comprehensive loss (net of deferred income taxes of $839)	--	--	(1,198)	--	--	
Total comprehensive earnings						123,300
Exercise of 794,728 common stock options, including tax benefits of $6,302	1	14,909	--	--	--	14,910
Barnes & Noble.com Inc. IPO (net of deferred income taxes of $84,114)	--	116,158	--	--	--	116,158
Treasury stock acquired, 4,025,900 shares	--	--	--	--	(86,797)	(86,797)
Balance at January 29, 2000	$ 70	654,584	(1,198)	279,701	(86,797)	846,360

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year	1999	1998	1997
(Thousands of dollars)			
Cash flows from operating activities:			
Net earnings	$ 124,498	92,376	53,169
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	112,693	88,721	78,629
Loss on disposal of property and equipment	5,636	3,291	853
Deferred taxes	9,877	14,761	11,598
Extraordinary charge due to early extinguishment of debt, net of tax benefits	--	--	11,499
Increase in other long-term liabilities for scheduled rent increases in long-term leases	13,472	14,031	16,350
Cumulative effect of a change in accounting principle, net of taxes	4,500	--	--
Other income	(27,337)	(3,414)	(1,913)
Gain on formation of Barnes & Noble.com	(25,000)	(63,759)	--
Equity in net loss of Barnes & Noble.com	42,047	71,334	--
Changes in operating assets and liabilities, net	(73,055)	(39,673)	(2,884)
Net cash flows from operating activities	187,331	177,668	167,301
Cash flows from investing activities:			
Acquisition of consolidated subsidiaries, net of cash received	(175,760)	--	--
Purchases of property and equipment	(146,294)	(141,378)	(121,903)
Investment in Barnes & Noble.com	--	(75,394)	--
Proceeds from formation of Barnes & Noble.com	25,000	75,000	--
Proceeds from the partial sale of Chapters	21,558	--	--
Purchase of investment in iUniverse.com	(20,000)	--	--
Net increase in other noncurrent assets	(9,282)	(119)	(11,264)
Net cash flows from investing activities	(304,778)	(141,891)	(133,167)
Cash flows from financing activities:			
Net increase (decrease) in revolving credit facility	182,500	(35,700)	244,800
Repayment of long-term debt	--	--	(290,000)
Proceeds from exercise of common stock options including related tax benefits	14,910	18,307	22,597

Payment of note premium	--	--	(11,281)
Purchase of treasury stock through repurchase program	(86,797)	--	--
Net cash flows from financing activities	110,613	(17,393)	(33,884)
Net increase (decrease) in cash and cash equivalents	(6,834)	18,384	250
Cash and cash equivalents at beginning of year	31,081	12,697	12,447
Cash and cash equivalents at end of year	$ 24,247	31,081	12,697
Changes in operating assets and liabilities, net:			
Receivables, net	$ 3,795	(14,012)	1,700
Merchandise inventories	(69,059)	(93,491)	(119,904)
Prepaid expenses and other current assets	(8,543)	(1,047)	9,721
Accounts payable and accrued liabilities	752	68,877	105,599
Changes in operating assets and liabilities, net	$ (73,055)	(39,673)	(2,884)
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	$ 24,911	25,243	37,845
Income taxes	$ 72,342	18,225	20,282
Supplemental disclosure of subsidiaries acquired:			
Assets acquired	$ 201,910		
Liabilities assumed	26,150		
Cash paid	$ 175,760		

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars, except per share data)

For the 52 weeks ended January 29, 2000 (fiscal 1999), January 30, 1999 (fiscal 1998) and January 31, 1998 (fiscal 1997).

1. Summary of Significant Accounting Policies

Business

Barnes & Noble, Inc. (Barnes & Noble), through its wholly owned subsidiaries (collectively, the Company), is primarily engaged in the sale of books, video games and entertainment software products. The Company employs two principal bookselling strategies: its "super" store strategy through its wholly owned subsidiary Barnes & Noble Booksellers, Inc., under its Barnes & Noble Booksellers, Bookstop and Bookstar trade names (hereafter collectively referred to as Barnes & Noble stores) and its mall strategy through its wholly owned subsidiaries B. Dalton Bookseller, Inc. and Doubleday Book Shops, Inc., under its B. Dalton stores, Doubleday Book Shops and Scribner's Bookstore trade names (hereafter collectively referred to as B. Dalton stores). The Company is also engaged in the online retailing of books and other products through a 40 percent interest in barnesandnoble.com llc (Barnes & Noble.com), as more fully described in Note 7. The Company, through its recent acquisition of Babbage's Etc. LLC, operates video game and entertainment software stores under the Babbage's, Software Etc. and GameStop trade names, and a Web site, gamestop.com (hereafter collectively referred to as Babbage's Etc.).

Consolidation

The consolidated financial statements include the accounts of Barnes & Noble and its wholly owned subsidiaries. Investments in affiliates in which ownership interests range from 20 percent to 50 percent, principally Barnes & Noble.com, are accounted for under the equity method. The Company's investment in Barnes & Noble.com has been presented in the accompanying consolidated financial statements under the equity method as of the beginning of fiscal 1998 and as a consolidated wholly owned subsidiary for all of fiscal 1997. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined primarily by the retail inventory method on the first-in, first-out (FIFO) basis for 83 percent and 86 percent of the Company's merchandise inventories as of January 29, 2000 and January 30, 1999, respectively. Merchandise inventories of Babbage's Etc., which represent 6 percent of merchandise inventories as of January 29, 2000, are recorded based on the average cost method. The remaining merchandise inventories are valued on the last-in, first-out (LIFO) method.

If substantially all of the merchandise inventories currently valued at LIFO costs were valued at current costs, merchandise inventories would remain unchanged as of January 29, 2000 and January 30, 1999.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. For financial reporting purposes, depreciation is computed using the straight-line method over estimated useful lives. For tax purposes, different methods are used. Maintenance and repairs are expensed as incurred, while betterments and major remodeling costs are capitalized. Leasehold improvements are capitalized and amortized over the shorter of their estimated useful lives or the terms of the respective leases. Capitalized lease acquisition costs are being amortized over the lease terms of the underlying leases. Costs incurred in purchasing management information systems are capitalized and included in property and equipment. These costs are amortized over their estimated useful lives from the date the systems become operational.

Intangible Assets and Amortization

The costs in excess of net assets of businesses acquired are carried as intangible assets, net of accumulated amortization, in the accompanying consolidated balance sheets. The net intangible assets, consisting primarily of goodwill and trade names of $272,505 and $25,506 as of January 29, 2000 and $59,365 and $27,615 as of January 30, 1999, are amortized using the straight-line method over periods ranging from 30 to 40 years.

Amortization of goodwill and trade names included in depreciation and amortization in the accompanying consolidated statements of operations is $5,148, $3,257 and $3,257 during fiscal 1999, 1998 and 1997, respectively. Accumulated amortization at January 29, 2000 and January 30, 1999 was $49,699 and $44,551, respectively.

The Company periodically evaluates the recoverability of goodwill and considers whether this goodwill should be completely or partially written off or the amortization periods accelerated. The Company assesses the recoverability of this goodwill based upon several factors, including management's intention with respect to the acquired operations and those operations' projected undiscounted store-level cash flows.

Deferred Charges

Costs incurred to obtain long-term financing are amortized over the terms of the respective debt agreements using the straight-line method, which approximates the interest method. Unamortized costs

included in other noncurrent assets as of January 29, 2000 and January 30, 1999 were $1,969 and $1,397, respectively. Unamortized costs of $8,209 were included in the extraordinary loss due to the early extinguishment of debt for fiscal 1997. Amortization expense included in interest and amortization of deferred financing fees is $389, $376 and $1,678 during fiscal 1999, 1998 and 1997, respectively.

Marketable Equity Securities

All marketable equity securities included in other noncurrent assets are classified as available-for-sale under FASB Statement No. 115, with unrealized gains and losses (net of taxes) shown as a component of shareholders' equity.

Revenue Recognition

Revenue from sales of the Company's products is recognized at the time of sale.

The Company sells memberships which entitle purchasers to additional discounts. The membership revenue is deferred and recognized as income over the 12-month membership period.

Sales returns (which are not significant) are recognized at the time returns are made.

Pre-opening Expenses

In April 1998, the Accounting Standards Executive Committee issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (SOP 98-5). SOP 98-5 requires an entity to expense all start-up activities, as defined, when incurred. Prior to 1999, the Company amortized costs associated with the opening of new stores over the respective store's first 12 months of operations. In accordance with SOP 98-5, the Company recorded a one-time non-cash charge reflecting the cumulative effect of a change in accounting principle in the amount of $4,500 after taxes, representing such start-up costs capitalized as of the beginning of fiscal year 1999. Since adoption, the Company has expensed all such start-up costs as incurred. The effect of the change in accounting principle on earnings in 1999 was immaterial.

Closed Store Expenses

Upon a formal decision to close or relocate a store, the Company charges unrecoverable costs to expense. Such costs include the net book value of abandoned fixtures and leasehold improvements and a provision for future lease obligations, net of expected sublease recoveries. Costs associated with store closings of $5,447 and $1,208 during fiscal 1999 and fiscal 1998, respectively, are included in selling and administrative expenses in the accompanying consolidated statements of operations.

Net Earnings Per Common Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon exercise of stock options.

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse.

Stock Options

The Company accounts for all transactions under which employees receive shares of stock or other equity instruments in the Company or the Company incurs liabilities to employees in amounts based on the price of its stock in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Reclassifications

Certain prior-period amounts have been reclassified for comparative purposes to conform with the 1999 presentation.

Reporting Period

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of January. The reporting periods ended January 29, 2000, January 30, 1999 and January 31, 1998 each consisted of 52 weeks.

2. Receivables, Net

Receivables represent customer, bankcard, landlord and other receivables due within one year as follows:

	January 29, 2000	January 30, 1999
Trade accounts	$9,558	6,743
Bankcard receivables	21,309	19,421
Receivables from landlords for leasehold improvements	12,807	23,659
Other receivables	14,566	7,700
Total receivables, net	$58,240	57,523

3. Debt

On November 18, 1997, the Company obtained an $850,000 five-year senior revolving credit facility (the Revolving Credit Facility) with a syndicate led by The Chase Manhattan Bank. The Revolving Credit Facility refinanced an existing $450,000 revolving credit and $100,000 term loan facility (the Old Facility). The Revolving Credit Facility permits borrowings at various interest rate

options based on the prime rate or London Interbank Offer Rate (LIBOR) depending upon certain financial tests. In addition, the agreement requires the Company to pay a commitment fee up to 0.25 percent of the unused portion depending upon certain financial tests. The Revolving Credit Facility contains covenants, limitations and events of default typical of credit facilities of this size and nature, including financial covenants which require the Company to meet, among other things, cash flow and interest coverage ratios and which limit capital expenditures. The Revolving Credit Facility is secured by the capital stock, accounts receivable and general intangibles of the Company's subsidiaries.

Net proceeds from the Revolving Credit Facility are available for general corporate purposes and were used to redeem all of the Company's outstanding $190,000 11-7/8 percent senior subordinated notes on January 15, 1998. As a result of the refinancings, the Company recorded an extraordinary charge of $11,499 (net of applicable taxes) due to the early extinguishment of debt during fiscal 1997. The extraordinary charge represents the payment of a call premium associated with the redemption of the senior subordinated notes of $6,656 (net of applicable taxes) and the write-off of unamortized fees of $4,843 (net of applicable taxes).

The Company from time to time enters into interest rate swap agreements to manage interest costs and risk associated with changes in interest rates. These agreements effectively convert underlying variable-rate debt based on prime rate or LIBOR to fixed-rate debt through the exchange of fixed and floating interest payment obligations without the exchange of underlying principal amounts. As of January 29, 2000 and January 30, 1999 the Company had outstanding $85,000 and $125,000 of swaps, respectively, with maturities ranging from 2000 to 2003. The Company recorded interest expense associated with these agreements of $470 and $440 during fiscal years 1999 and 1998, respectively.

Selected information related to the Company's revolving credit facility is as follows:

Fiscal Year	1999	1998	1997
Balance at end of year	$431,600	249,100	284,800
Average balance outstanding during the year	$397,114	380,315	105,127
Maximum borrowings outstanding during the year	$693,500	535,000	304,900
Weighted average interest rate during the year	6.01%	6.29%	7.12%
Interest rate at end of year	6.26%	5.77%	6.60%

Fees expensed with respect to the unused portion of the Company's revolving credit commitment were $664, $733 and $1,204, during fiscal 1999, 1998 and 1997, respectively.

The amounts outstanding under the Company's Revolving Credit Facility of $431,600 and $249,100 as of January 29, 2000 and January 30, 1999, respectively, have been classified as long-term debt based on the terms of the credit agreement and the Company's intention to maintain principal amounts outstanding through November 2002.

The Company has no agreements to maintain compensating balances.

4. Fair Values of Financial Instruments

The carrying values of cash and cash equivalents reported in the accompanying consolidated balance sheets approximate fair value due to the short-term maturities of these assets. The aggregate fair

value of the Revolving Credit Facility approximates its carrying amount, because of its recent and frequent repricing based upon market conditions. Investments in publicly traded securities accounted for under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115) are carried at amounts approximating fair value.

The Company maintains an investment in Chapters Inc. (Chapters), a Canadian book retailer. The carrying value and fair value (based on quoted market prices and conversion rates) of this investment was $18,827 and $33,201, respectively, at January 30, 1999. Due to the partial sale of its investment in Chapters, as more fully discussed in Note 5, the Company currently accounts for this investment as an available-for-sale security.

Interest rate swap agreements are valued based on market quotes obtained from dealers. The carrying value and estimated fair value of the interest rate swaps asset (liability) was $0 and $447, respectively, at January 29, 2000, and $0 and ($2,189), respectively, at January 30, 1999.

5. Marketable Equity Securities

Marketable equity securities are carried on the balance sheet at their fair market value as a component of other noncurrent assets. The Company did not have any marketable equity securities on January 30, 1999 as defined by SFAS 115. The following marketable equity securities have been classified as available-for-sale securities:

	Cost	Unrealized Losses	January 29, 2000 Market Value
Gemstar International Ltd.	$27,137	$(1,684)	$25,453
Chapters	8,294	(353)	7,941
	$35,431	$(2,037)	$33,394

In fiscal 1998, the Company accounted for its investment in NuvoMedia Inc. (NuvoMedia) under the cost method. In fiscal 1999, NuvoMedia was acquired by Gemstar International Ltd. (Gemstar), a publicly traded company. Under the terms of the agreement, NuvoMedia shareholders received Gemstar shares in exchange for their ownership interests.

Prior to fiscal 1999, the Company accounted for its investment in Chapters under the equity method. During fiscal 1999, the Company sold a portion of its investment in Chapters. Subsequent to the partial sale of its investment, the Company retained a seven percent interest in Chapters and accordingly, has recorded the remaining investment as an available-for-sale security.

6. Other Income

The following table sets forth the components of other income (expense), in thousands of dollars:

Fiscal Year	1999	1998	1997
Gain on sale of NuvoMedia (1)	$22,356	--	--
Gain on partial sale of Chapters (2)	10,975	--	--
Equity in net earnings (losses) of Chapters (2)	(101)	1,140	1,016
Equity in net losses of iUniverse.com (3)	(2,121)	--	--
Equity in net earnings of Calendar Club LLC (4)	1,228	2,274	897
Termination of planned acquisition of Ingram Book Group (5)	(5,000)	--	--
	$27,337	3,414	1,913

(1) In fiscal 1999, in connection with the sale of NuvoMedia as more fully discussed in Note 5, the Company recognized a pre-tax gain of $22,356.

(2) During fiscal 1999, the Company sold a portion of its investment in Chapters resulting in a pre-tax gain of $10,975. Prior to this transaction, the Company accounted for its investment in Chapters under the equity method.

(3) During 1999, the Company acquired a 41 percent interest in

iUniverse.com for $20,000. Subsequent to the fiscal 1999 year end, the Company invested an additional $8,000 in iUniverse.com thereby increasing its percentage ownership interest to 49 percent. This investment is being accounted for under the equity method and is reflected as a component of other noncurrent assets.

(4) The Company's 50 percent interest in Calendar Club LLC (Calendar Club) is being accounted for under the equity method and is reflected as a component of other noncurrent assets.

(5) In 1999, the Company and the Ingram Book Group (Ingram) announced their agreement to terminate the Company's planned acquisition of Ingram. The Company's application before the Federal Trade Commission for the purchase was formally withdrawn. As a result, other income reflects a one-time charge of $5,000 for acquisition costs relating primarily to legal, accounting and other transaction related costs.

7. Barnes & Noble.com

On November 12, 1998, the Company and Bertelsmann AG (Bertelsmann) completed the formation of a limited liability company to operate the online retail bookselling operations of the Company's wholly owned subsidiary, barnesandnoble.com inc. (Barnes & Noble.com Inc.). The new entity, Barnes & Noble.com, was structured as a limited liability company. Under the terms of the relevant agreements, effective as of October 31, 1998, the Company and Bertelsmann each retained a 50 percent membership interest in Barnes & Noble.com. The Company contributed substantially all of the assets and liabilities of its online operations to the joint venture and Bertelsmann paid $75,000 to the Company and made a $150,000 cash contribution to the joint venture. Bertelsmann also agreed to contribute an additional $50,000 to the joint venture for future working capital requirements. The Company recognized a pre-tax gain during fiscal 1998 in the amount of $126,435, of which $63,759 was

recognized in earnings based on the $75,000 received directly and $62,676 ($36,351 after taxes) was reflected in additional paid-in capital based on the Company's share of the incremental equity of the joint venture resulting from the $150,000 Bertelsmann contribution.

On May 25, 1999, Barnes & Noble.com Inc. completed an initial public offering (IPO) of 28.75 million shares of Class A Common Stock and used the proceeds to purchase a 20 percent interest in Barnes & Noble.com. As a result, the Company and Bertelsmann each retained a 40 percent interest in Barnes & Noble.com. The Company recorded an increase in additional paid-in capital of $116,158 after taxes representing the Company's incremental share in the equity of Barnes & Noble.com. The Company will continue to account for its investment under the equity method.

Under the terms of the November 12, 1998 joint venture agreement between the Company and Bertelsmann, the Company received a $25,000 payment from Bertelsmann in connection with the IPO. The Company recognized the $25,000 pre-tax gain in the second quarter of 1999. The estimated fair market value of Barnes & Noble.com at January 29, 2000 was $742,000.

Summarized financial information for Barnes & Noble.com follows:

	12 months ended December 31, 1999	12 months ended December 31, 1998
Net sales	$ 202,567	61,834
Gross profit	$ 42,630	14,265
Loss before taxes	$ (102,405)	(83,148)
Cash and cash equivalents	$ 478,047	96,940
Other current assets	27,567	14,736

Noncurrent assets	173,904	90,468
Current liabilities	75,940	32,995
Net assets	$ 603,578	169,149

8. Employees' Retirement and Defined Contribution Plans

As of December 31, 1999, substantially all employees of the Company were covered under a noncontributory defined benefit pension plan (the Pension Plan). As of January 1, 2000, the Pension Plan was amended and frozen so that employees no longer earn benefits for subsequent service. Subsequent service continues to be the basis for vesting of benefits not yet vested at December 31, 1999 and the Pension Plan will continue to hold assets and pay benefits. The amendment was treated as a curtailment in fiscal 1999 resulting in a pre-tax gain of $14,142 which is included as a reduction of selling and administrative expenses.

The Company maintains defined contribution plans (the Savings Plans) for the benefit of substantially all employees. In addition, the Company provides certain health care and life insurance benefits (the Postretirement Plan) to retired employees, limited to those receiving benefits or retired as of April 1, 1993.

A summary of the components of net periodic cost for the Pension Plan and the Postretirement Plan follows:

	Pension Plan			Postretirement Plan		
Fiscal Year	1999	1998	1997	1999	1998	1997
Service cost	$4,535	4,157	3,294	--	--	--
Interest cost	2,349	2,039	1,666	151	149	315
Expected return on plan assets	(2,494)	(2,208)	(1,803)	--	--	--
Net amortization and deferral	32	36	36	(123)	(135)	--
Net periodic cost	$4,422	4,024	3,193	28	14	315

Total Company contributions charged to employee benefit expenses for the Savings Plans were $3,374, $3,090 and $2,545 during fiscal 1999, 1998 and 1997, respectively.

Weighted-average actuarial assumptions used in determining the net periodic costs of the Pension Plan and the Postretirement Plan are as follows:

	Pension Plan			Postretirement Plan		
Fiscal Year	1999	1998	1997	1999	1998	1997
Discount rate	7.8%	7.3%	7.3%	7.8%	7.3%	7.3%
Expected return on plan assets	9.5%	9.5%	9.5%	--	--	--
Assumed rate of compensation increase	4.8%	4.3%	4.3%	--	--	--

As a result of the formation of Barnes & Noble.com, as more fully described in Note 7, certain assets of the Pension Plan and a portion of the benefit obligation, were transferred to Barnes & Noble.com's defined benefit pension plan as of the date of the formation.

The following table provides a reconciliation of benefit obligations, plan assets and funded status of the Pension Plan and the Postretirement Plan:

	Pension Plan		Postretirement Plan	
Fiscal Year	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	$33,064	30,734	2,145	1,975
Service cost	4,535	4,157	--	--
Interest cost	2,349	2,039	151	149
Transfer to Barnes & Noble.com	--	(642)	--	--
Actuarial (gain) loss	(1,707)	(2,427)	272	136
Benefits paid	(1,062)	(797)	(515)	(115)
Curtailment	(14,142)	--	--	--
Benefit obligation at end of year	$23,037	33,064	2,053	2,145
Change in plan assets:				
Fair value of plan assets at beginning of year	$25,331	22,909	--	--
Actual return on assets	1,393	2,255	--	--
Employer contributions	3,374	1,395	--	--
Benefits paid	(1,062)	(797)	--	--
Transfer to Barnes & Noble.com	--	(431)	--	--
Fair value of plan assets at end of year	$29,036	25,331	--	--
Funded status	$5,999	(7,733)	(2,053)	(2,145)
Unrecognized net actuarial (gain) loss	200	805	(1,741)	(2,136)
Unrecognized prior service cost	--	(183)	--	--
Unrecognized net obligation remaining	--	166	--	--
Prepaid (accrued) benefit cost	$6,199	(6,945)	(3,794)	(4,281)

The health care cost trend rate used to measure the expected cost of the Postretirement Plan benefits is assumed to be seven percent in 2000, declining at one-half percent decrements each year through 2004 to five percent in 2004 and each year thereafter. The health care cost trend assumption has a significant effect on the amounts reported. For example, a one percent increase or decrease in the health care cost trend rate would change the accumulated postretirement benefit obligation by approximately $193 and $171, respectively, as of January 29, 2000, and would change the net periodic cost by approximately $15 and $13, respectively, during fiscal 1999.

9. Income Taxes

The Company files a consolidated federal return. Federal and state income tax provisions for fiscal 1999, 1998 and 1997 are as follows:

Fiscal Year	1999	1998	1997
Current:			
Federal	$64,454	39,286	26,324
State	15,306	10,146	7,013
	79,760	49,432	33,337
Deferred:			

Federal	7,193	11,697	9,575
State	2,684	3,064	2,023
	9,877	14,761	11,598
Total	$89,637	64,193	44,935

A reconciliation between the provision for income taxes and the expected provision for income taxes at the federal statutory rate of 35 percent during fiscal 1999, 1998 and 1997, is as follows:

Fiscal Year	1999	1998	1997
Expected provision for income taxes at federal statutory rate	$76,522	54,799	38,361
Amortization of non-deductible goodwill and trade names	1,342	1,251	1,140
State income taxes, net of federal income tax benefit	11,694	8,596	5,873
Other, net	79	(453)	(439)
Provision for income taxes	$89,637	64,193	44,935

The tax effects of temporary differences that give rise to significant components of the Company's deferred tax assets and liabilities as of January 29, 2000 and January 30, 1999 are as follows:

	January 29, 2000	January 30, 1999
Deferred tax liabilities:		
Operating expenses	$(15,437)	(12,528)
Depreciation	(31,289)	(29,829)
Gain on equity increase in Barnes & Noble.com	(110,439)	(26,325)
Total deferred tax liabilities	(157,165)	(68,682)
Deferred tax assets:		
Inventory	4,312	4,043
Lease transactions	18,664	15,025
Reversal of estimated accruals	4,246	5,692
Restructuring charge	14,537	16,931
Insurance liability	2,673	2,502
Deferred income	4,015	11,411
Unrealized holding losses on available-for-sale securities	839	--
Other	7,278	5,632
Total deferred tax assets	56,564	61,236
Net deferred tax liabilities	$(100,601)	(7,446)

Deferred tax liabilities are recorded on the deferred income tax line and deferred tax assets are recorded as a component of prepaid and other current assets on the accompanying balance sheet.

10. Acquisition of Babbage's Etc.

On October 28, 1999, the Company acquired Babbage's Etc., one of the nation's largest operators of video game and entertainment software stores, for $208,670 (including assumed liabilities). If financial performance targets are met over the next two fiscal years, the Company will make additional payments of approximately $10,000 in 2001 and approximately $10,000 in 2002. The acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations for the period subsequent to the acquisition are included in the consolidated financial statements. The excess of purchase price over the net assets acquired, in the amount of $202,386, has been recorded as goodwill and is being amortized using the straight-line method over an estimated useful life of 30 years.

The following table summarizes pro forma results as if the Company had entered into the agreement on the first day of fiscal year 1998:

Fiscal Year	1999	1998
Sales	$3,815,435	3,470,774
Earnings before cumulative effect of a change in accounting principle	$125,011	93,298
Net earnings	$120,511	93,298
Net earnings per common share:		
Basic	$1.75	1.36
Diluted	$1.69	1.30

The pro forma results of operations include adjustments to give effect to amortization of goodwill and interest expense on debt related to the acquisition, together with related income tax effects. The information has been prepared for comparative purposes only and does not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

11. Segment Information

Historically, the Company operated as a single segment. As a result of the acquisition of Babbage's Etc. in 1999, the Company is currently operating under two segments and accordingly, is required to disclose information in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). The Company's reportable segments are strategic groups that offer different products. These groups have been aggregated into two segments: bookstores and video game and entertainment software stores.

Bookstores

This segment includes 542 book "super" stores under the Barnes & Noble Booksellers, Bookstop and Bookstar names which generally offer a comprehensive title base, a cafe, a children's section, a music department, a magazine section and a calendar of ongoing events, including author appearances and children's activities. Additionally, this segment includes 400 small format mall-based stores under the B. Dalton Bookseller, Doubleday Book Shops and Scribner's Bookstore trade names.

Video Game and Entertainment Software Stores

This segment includes 526 video game and entertainment software stores under the Babbage's, Software Etc. and GameStop names, and a Web site, gamestop.com. The principal products of these stores are comprised of video game hardware and software and PC entertainment software. The Company's consolidated financial statements reflect the results of Babbage's Etc. for the fourth quarter of 1999 only.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Segment operating profit includes corporate expenses in each operating segment. Barnes & Noble evaluates the performance of its segments and allocates resources to them

based on operating profit.

Summarized financial information concerning the Company's reportable segments is presented below:

	Sales			Depreciation and Amortization		
Fiscal Year	1999	1998	1997	1999	1998	1997
Bookstores	$3,262,295	3,005,608	2,796,852	$108,691	88,345	76,951
Video game & entertainment software stores	223,748	--	--	3,613	--	--
Total	$3,486,043	3,005,608	2,796,852	$112,304	88,345	76,951

	Operating Profit			Equity Investment in Barnes & Noble.com		
Fiscal Year	1999	1998	1997	1999	1998	1997
Bookstores	$216,678	185,142	145,356	$240,531	82,307	--
Operating margin	6.64%	6.16%	5.20%			
Video game & entertainment software stores	15,432	--	--	--	--	--
Operating margin	6.90%	NA	NA			
Total	$232,110	185,142	145,356	$240,531	82,307	--

	Capital Expenditures			Total Assets		
Fiscal Year	1999	1998	1997	1999	1998	1997
Bookstores	$142,005	141,378	121,903	$2,076,795	1,807,597	1,591,171
Video game & entertainment software stores	4,289	--	--	336,996	--	--
Total	$146,294	141,378	121,903	$2,413,791	1,807,597	1,591,171

A reconciliation of operating profit reported by reportable segments to earnings before income taxes, extraordinary charge and cumulative effect of a change in accounting principle in the consolidated financial statements is as follows:

Fiscal Year	1999	1998	1997
Reportable segments operating profit	$232,110	185,142	145,356
Interest, net	(23,765)	(24,412)	(37,666)
Equity in net loss of Barnes & Noble.com	(42,047)	(71,334)	--
Gain on formation of Barnes & Noble.com	25,000	63,759	--
Other income	27,337	3,414	1,913
Consolidated earnings before income taxes, extraordinary charge and cumulative effect of a change in accounting principle	$218,635	156,569	109,603

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Comprehensive Earnings

In 1999, as a result of the Company's investment activities (see Note 5), the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" which establishes standards for reporting and display of comprehensive earnings and its components in the financial statements. Comprehensive earnings are net earnings, plus certain other items that are recorded directly to shareholders' equity. The only such item currently applicable to the Company is the unrealized loss on available-for-sale securities, as follows:

Fiscal Year	1999	1998	1997
Net earnings	$124,498	92,376	53,169
Other comprehensive loss:			
Unrealized loss on available-for-sale securities, net of deferred income tax benefit of $839	(1,198)	--	--
Total comprehensive earnings	$123,300	92,376	53,169

13. Shareholders' Equity

In fiscal 1999, the Board of Directors authorized a common stock repurchase program for the purchase of up to $250,000 of the Company's common shares. As of January 29, 2000, the Company has repurchased 4,025,900 shares at a cost of approximately $86,797 under this program. The repurchased shares are held in treasury.

As discussed more fully in Note 7, shareholders' equity as of January 29, 2000 includes an increase in additional paid-in capital of $116,158 representing the Company's incremental share in the equity of Barnes & Noble.com as a result of the IPO. Shareholders' equity as of January 30, 1999 includes an increase in additional paid-in capital of $36,351 as a result of the formation of Barnes & Noble.com.

On July 10, 1998, the Board of Directors of the Company declared a dividend of one Preferred Share Purchase Right (a Right) for each outstanding share of the Company's common stock (Common Stock). The distribution of the Rights was made on July 21, 1998 to stockholders of record on that date. Each Right entitles the holder to purchase from the Company one four-hundredth of a share of a new series of preferred stock, designated as Series H Preferred Stock, at a price of $225 per one four-hundredth of a share. The Rights will be exercisable only if a person or group acquires 15 percent or more of the Company's outstanding Common Stock or announces a tender offer or exchange offer, the consummation of which would result in such person or group owning 15 percent or more of the Company's outstanding Common Stock.

If a person or group acquires 15 percent or more of the Company's outstanding Common Stock, each Right will entitle a holder (other than such person or any member of such group) to purchase, at the Right's then current exercise price, a number of shares of Common Stock having a market value of twice the exercise price of the Right. In addition, if the Company is acquired in a merger or other business combination transaction or 50 percent or more of its consolidated assets or earning power are sold at any time after the Rights have become exercisable, each Right will entitle its holder to purchase, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value at that time of twice the exercise price of the Right. Furthermore, at any time after a person or group acquires 15 percent or more of the outstanding Common Stock of the Company but prior to the acquisition of 50 percent of such stock, the Board of Directors may, at its option, exchange part or all of the Rights (other than Rights held by the acquiring person or group) at an exchange rate of one four-hundredth of a share of Series H Preferred Stock or one share of the Company's Common Stock for each Right.

The Company will be entitled to redeem the Rights at any time prior to the acquisition by a person or group of 15 percent or more of the outstanding Common Stock of the Company, at a price of $.01 per Right. The Rights will expire on July 20, 2008.

The Company has 5,000,000 shares of $.001 par value preferred stock authorized for issuance, of which 250,000 shares have been designated by the Board of Directors as Series H Preferred Stock and reserved for issuance upon exercise of the Rights. Each such share of Series H Preferred Stock will be nonredeemable and junior to any other series of preferred stock the Company may issue (unless otherwise provided in the terms of such stock) and will be entitled to a preferred dividend equal to the greater of $2.00 per share or 400 times any dividend declared on the Company's Common Stock. In the event of liquidation, the holders of Series H Preferred Stock will receive a preferred liquidation payment of $1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon. Each share of Series H Preferred Stock will have 400 votes, voting together with the Company's Common Stock. However, in the event that dividends on the Series H Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, holders of the Series H Preferred Stock shall have the right, voting as a class, to elect two of the Company's Directors, whose terms shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series H Preferred Stock then outstanding shall have been declared and paid or set apart for payment. In the event of any merger, consolidation or other transaction in which the Company's Common Stock is exchanged, each share of Series H Preferred Stock will be entitled to receive 400 times the amount and type of consideration received per share of the Company's Common Stock. As of January 29, 2000, there were no shares of Series H Preferred Stock outstanding.

14. Restructuring Charge

From 1989 through 1995, the Company closed, on average, between 40 and 60 mall bookstores per year primarily due to increasing competition from superstores and declining mall traffic. During the fourth quarter of fiscal 1995, the Company accelerated its mall bookstore closing program with the aim of forming a core of more profitable B. Dalton stores, and provided for these closing costs and asset valuation adjustments through a non-cash restructuring charge, and early adoption of Statement of Financial Accounting Standards No. 121, "Accounting for Impairment of Long-Lived Assets and Assets to be Disposed Of" (SFAS 121). In the fourth quarter of fiscal 1995, the Company recorded a non-cash charge to operating earnings of $123,768 ($87,303 after tax or $1.32 per share) to reflect the aggregate impact of its restructuring plan and change in accounting policy. The charge to earnings included a $33,000 write-down of goodwill, and $45,862 related to the write-down of fixed assets and other long-term assets. The Company has completed this store closing program. Costs incurred in excess of the amount provided by the restructuring charge were immaterial and have been included in selling and administrative expenses.

The following table sets forth the restructuring liability activity:

Lease

	Provision for Store Closing	Termination Costs	Other	Total
Balance at February 1, 1997	$1,532	30,462	1,602	33,596
Fiscal 1997 payments	1,532	9,026	1,602	12,160
Balance at January 31, 1998	--	21,436	--	21,436
Fiscal 1998 payments	--	12,968	--	12,968
Balance at January 30, 1999	--	8,468	--	8,468
Fiscal 1999 payments	--	8,468	--	8,468
Balance at January 29, 2000	$ --	--	--	--

15. Stock Option Plans

The Company currently has two incentive plans under which stock options have been or may be granted to officers, directors and key employees of the Company - the 1991 Employee Incentive Plan (the 1991 Plan) and the 1996 Incentive Plan (the 1996 Plan). The options to purchase common shares generally are issued at fair market value on the date of the grant, begin vesting after one year in 33-1/3 percent or 25 percent increments per year, expire 10 years from issuance and are conditioned upon continual employment during the vesting period.

The Company increased the number of shares available for issuance under the 1996 Plan from 6,000,000 to 11,000,000. The 1996 Plan and the 1991 Plan allow the Company to grant options to purchase up to 11,000,000 and 4,732,704 shares of common stock, respectively.

In addition to the two incentive plans, the Company has granted stock options to certain key executives and directors. The vesting terms and contractual lives of these grants are similar to that of the incentive plans.

In accordance with the Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company discloses the pro forma impact of recording compensation expense utilizing the Black-Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the Black-Scholes model does not necessarily provide a reliable measure of the fair value of its stock options.

Had compensation cost for the Company's stock option grants been determined based on the fair value at the stock option grant dates consistent with the pro forma method of SFAS 123, the Company's net earnings and diluted earnings per share for fiscal 1999, 1998 and 1997, would have been reduced by approximately $6,298 or $0.09 per share, $6,188 or $0.09 per share, and $3,863 or $0.06 per share, respectively.

Because the application of the pro forma disclosure provision of SFAS 123 are required only to

be applied to grants of options made by the Company during fiscal 1995 and after, the above pro forma amounts may not be representative of the effects of applying SFAS 123 to future years.

The weighted -average fair value of the options granted during fiscal 1999, 1998 and 1997 were estimated at $10.00, $12.96 and $8.05 respectively, using the Black-Scholes option-pricing model with the following assumptions: volatility of 35 percent for fiscal 1999 and fiscal 1998 grants, 28 percent for fiscal 1997 grants, risk-free interest rate of 5.90 percent in fiscal 1999, 5.33 percent in fiscal 1998, and 6.54 percent in fiscal 1997, and an expected life of 6.0 years for fiscal 1999, 5.4 years for fiscal 1998 and 6.0 years for fiscal 1997.

A summary of the status of the Company's stock options is presented below:

(Thousands of shares)	Shares	Weighted-Average Exercise Price
Balance, February 1, 1997	9,142	$ 11.07
Granted	2,254	19.31
Exercised	(1,546)	9.28
Forfeited	(186)	16.25
Balance, January 31, 1998	9,664	13.17
Granted	1,841	31.12
Exercised	(837)	11.11
Forfeited	(390)	22.35
Balance, January 30, 1999	10,278	16.22
Granted	2,148	22.31
Exercised	(795)	11.39
Forfeited	(488)	26.91
Balance, January 29, 2000	11,143	$ 17.27

Options exercisable as of January 29, 2000, January 30, 1999 and January 31, 1998 were 7,133,000, 6,780,000 and 6,558,000, respectively. Options available for grant under the plans were 4,243,000, 5,902,000 and 2,354,000 at January 29, 2000, January 30, 1999 and January 31, 1998, respectively.

The following table summarizes information as of January 29, 2000 concerning outstanding and exercisable options:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable (000s)	Weighted-Average Exercise Price
$3.21 - $3.77	556	3.36	$ 3.59	556	$ 3.59
$10.00 - $15.00	5,068	3.89	$ 12.06	5,068	$ 12.06
$17.13 - $24.25	3,729	8.27	$ 19.92	1,230	$ 19.29
$26.50 - $34.75	1,790	8.52	$ 30.73	279	$ 33.90
$3.21 - $34.75	11,143	6.07	$ 17.27	7,133	$ 13.50

16. Leases

The Company leases retail stores, warehouse facilities, office space and equipment. Substantially all of the retail stores are leased under noncancelable agreements which expire at various dates through 2036 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for both minimum and percentage rentals and require the Company to pay all insurance, taxes and other maintenance costs.

Percentage rentals are based on sales performance in excess of specified minimums at various stores.

Rental expense under operating leases are as follows:

Fiscal Year	1999	1998	1997
Minimum rentals	$291,964	271,201	253,472
Percentage rentals	7,502	3,183	3,216
	$299,466	274,384	256,688

Future minimum annual rentals, excluding percentage rentals, required under leases that had initial, noncancelable lease terms greater than one year, as of January 29, 2000 are:

Fiscal Year	
2000	$301,622
2001	294,336
2002	279,017
2003	257,289
2004	236,072
After 2004	1,541,439
	$2,909,775

17. Litigation

In March 1998, the American Booksellers Association (ABA) and 26 independent bookstores filed a lawsuit in the United States District Court for the Northern District of California against the Company and Borders Group, Inc. (Borders) alleging violations of the Robinson-Patman Act, the California Unfair Trade Practice Act and the California Unfair Competition Law. The Complaint seeks injunctive and declaratory relief; treble damages on behalf of each of the bookstore plaintiffs, and, with respect to the California bookstore plaintiffs, any other damages permitted by California law; disgorgement of money, property and gains wrongfully obtained in connection with the purchase of books for resale, or offered for resale, in California from March 18, 1994 until the action is completed and pre-judgment interest on any amounts awarded in the action, as well as attorney fees and costs. In October 1999, Barnes & Noble.com was added as a defendant in the action. The Company intends to vigorously defend this action.

In August 1998, The Intimate Bookshop, Inc. and its owner, Wallace Kuralt, filed a lawsuit in the United States District Court for the Southern District of New York against the Company, Borders, Amazon.com, Inc., certain publishers and others alleging violation of the Robinson-Patman Act and other federal law, New York statutes governing trade practices and common law. The Complaint sought certification of a class consisting of all retail booksellers in the United States, whether or not currently in business, which were in business and were members of the ABA at any time during the four year period preceding the filing of the Complaint. The Complaint alleged that the named plaintiffs have suffered damages of $11,250 or more and requested treble damages on behalf of the named plaintiffs and each of the purported class members, as well as of injunctive and declaratory relief (including an injunction requiring the closure of all of defendants' stores within 10 miles of any location where plaintiff either has or had a retail bookstore during the four years preceding the filing of the Complaint, and prohibiting the opening by defendants of any bookstore in such areas for the next 10 years), disgorgement of alleged discriminatory discounts, rebates, deductions and payments, punitive damages, interest, costs, attorneys fees and other relief. The plaintiffs subsequently amended their complaint to allege eight causes of action on behalf of the

Intimate Bookshop and Wallace Kuralt, accusing the Company and the other defendants of: (i) violating Section 2(f) the Robinson-Patman Act; (ii) violating Section 2(c) of the Robinson-Patman Act; (iii) violating Section 13(a)of the Clayton Act; (iv) inducing every publisher in the United States to breach contracts with the plaintiffs; (v) interfering with the plaintiff's advantageous business relationships; (vi) engaging in unfair competition; (vii) violating Sections 349 and 350 of the New York General Business Law; and (viii) being unjustly enriched. The class action allegations have been removed and the plaintiffs voluntarily dismissed defendants Harper Collins Publishers, Inc. and Amazon.com, Inc. from the case.

On April 13, 1999, the Company and the other defendants filed a motion to dismiss the second through eighth causes of action in their entireties and for a more definite statement of the remaining allegations of the first cause of action. As a result, the plaintiffs' third through eighth causes of action were dismissed with prejudice, as were all claims asserted by Wallace Kuralt in his individual capacity. The Company served an Answer on April 5, 2000 denying the material allegations of the Complaint and asserting various affirmative defenses. The Company intends to continue to vigorously defend this action.

In addition to the above actions, various claims and lawsuits arising in the normal course of business are pending against the Company. The subject matter of these proceedings primarily includes

commercial disputes and employment issues. The results of these proceedings are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

18. Certain Relationships and Related Transactions

The Company leases space for its executive offices in properties in which Leonard Riggio, chairman, chief executive officer and principal stockholder of Barnes & Noble, has a minority interest. The space was rented at an aggregate annual rent including real estate taxes of approximately $2,753, $1,316 and $1,309 in fiscal years 1999, 1998 and 1997, respectively.

The Company leases a 75,000 square foot office/warehouse from a partnership in which Leonard Riggio has a 50 percent interest, pursuant to a lease expiring in 2023. Pursuant to such lease, the Company paid $573, $737 and $743 in fiscal years 1999, 1998 and 1997, respectively.

The Company is provided with certain package shipping services by the LTA Group, Inc. (LTA), a company in which a brother of Leonard Riggio owns a 20 percent interest. The Company paid LTA $13,118, $12,571 and $11,528 for such services during fiscal years 1999, 1998 and 1997, respectively.

The Company leases retail space in a building in which Barnes & Noble College Bookstores, Inc. (B&N College), a company owned by Leonard Riggio, subleases space for its executive offices. Occupancy costs allocated by the Company to B&N College for this space totaled $686, $725 and $634 for fiscal years 1999, 1998 and 1997, respectively. In connection with the space, the Company reimbursed B&N College during fiscal 1997, for a landmark tax credit totaling $726.

B&N College allocated to the Company certain operating costs it incurred on its behalf. These charges are included in the accompanying consolidated statements of operations and approximated $193, $48 and $75 for fiscal 1999, 1998 and 1997, respectively. The Company charged B&N College $1,042 and $972 for fiscal years 1999 and 1998, respectively, for capital expenditures, business insurance and other operating costs incurred on its behalf.

The Company uses a jet aircraft owned by B&N College and pays for the costs and expenses of operating the aircraft based upon the Company's usage. Such costs which include fuel, insurance, personnel and other costs approximate $2,205, $1,760 and $1,910 during fiscal 1999, 1998 and 1997, respectively, and are included in the accompanying consolidated statements of operations.

On October 28, 1999, the Company acquired Babbage's Etc., one of the nation's largest operators of video game and entertainment software stores, a company majority owned by Leonard Riggio, for $208,670. If financial performance targets are met over the next two fiscal years, the Company will make additional payments of approximately $10,000 in 2001 and approximately $10,000 in 2002.

Barnes & Noble.com purchased $74,682 and $33,444 of merchandise from the Company during fiscal 1999 and 1998, respectively, and Barnes & Noble.com expects to source purchases through the Company in the future. The Company has entered into an agreement (the Supply Agreement) with Barnes & Noble.com whereby the Company charges Barnes & Noble.com the costs associated with such purchases plus incremental overhead incurred by the Company in connection with providing such inventory. The Supply Agreement is subject to certain termination provisions.

The Company has entered into agreements (the Service Agreements) whereby Barnes &

Noble.com receives various services from the Company, including, among others, services for payroll processing, benefits administration, insurance (property and casualty, medical, dental and life), tax, traffic, fulfillment and telecommunications. In accordance with the terms of such agreements the Company has received, and expects to continue to receive, fees in an amount equal to the direct costs plus incremental expenses associated with providing such services. The Company received $2,037, $856 and $250 for such services during fiscal 1999, 1998 and 1997, respectively.

The Company subleases to Barnes & Noble.com approximately one-third of a 300,000 square foot warehouse facility located in New Jersey. The Company has received from Barnes & Noble.com $473 and $310 for such subleased space during fiscal 1999 and 1998, respectively.

Since 1993, the Company has used the music distributor AEC One Stop Group, Inc. (AEC) as its primary music and video supplier and to provide a music and video database. In 1999, AEC's parent corporation was acquired by an investor group in which Leonard Riggio was a significant minority investor. The Company paid AEC $126,241 in connection with this agreement during fiscal 1999.

19. Selected Quarterly Financial Information (Unaudited)

A summary of quarterly financial information for each of the last two fiscal years is as follows:

Fiscal 1999 Quarter End On or About	April 1999	July 1999	October 1999	January 2000	Total Fiscal Year 1999
Sales	$ 718,336	727,165	715,903	1,324,639	3,486,043
Gross profit	$ 192,371	199,275	200,490	410,178	1,002,314
Equity in net loss of Barnes & Noble.com (a)	$ (11,544)	(6,532)	(8,736)	(15,235)	(42,047)
Earnings (loss) before cumulative effect of a change in accounting principle	$ (1,444)	23,543	3,387	103,512	128,998
Net earnings (loss) (b) (c)	$ (5,944)	23,543	3,387	103,512	124,498
Basic earnings (loss) per common share					
Earnings (loss) before cumulative effect of a change in accounting principle	$ (0.02)	0.34	0.05	1.52	1.87
Net earnings (loss)	$ (0.09)	0.34	0.05	1.52	1.80
Diluted earnings (loss) per common share					
Earnings (loss) before cumulative effect of a change in accounting principle	$ (0.02)	0.33	0.05	1.48	1.81
Net earnings (loss)	$ (0.09)	0.33	0.05	1.48	1.75

Fiscal 1998 Quarter End On or About	April 1998	July 1998	October 1998	January 1999	Total Fiscal Year 1998
Sales	$ 656,976	662,507	656,837	1,029,288	3,005,608
Gross profit	$ 172,387	179,844	182,967	327,693	862,891
Equity in net loss of Barnes & Noble.com (d)	$ (13,603)	(23,003)	(20,472)	(14,256)	(71,334)
Net earnings (loss) (e)	$ (3,335)	(5,709)	(4,596)	106,016	92,376
Basic earnings (loss) per common share	$ (0.05)	(0.08)	(0.07)	1.54	1.35
Diluted earnings (loss) per common share	$ (0.05)	(0.08)	(0.07)	1.47	1.29

(a) As a result of the Barnes & Noble.com Inc. initial public offering on May 25, 1999, the Company retained a 40 percent interest in Barnes

& Noble.com. Accordingly, fiscal 1999 reflects the Company's 50 percent interest in the net losses of Barnes & Noble.com through the date of the IPO and 40 percent thereafter.

(b) Included in net earnings for the second quarter of fiscal 1999 is a pre-tax gain of $25,000 ($14,750 after tax) or $0.21 per diluted share from the receipt of $25,000 from Bertelsmann as a result of the Barnes & Noble.com initial public offering, as well as a pre-tax gain of $10,975 ($6,475 after tax) or $0.09 per basic and diluted common share resulting from the partial sale of the Company's investment in Chapters.

(c) Included in net earnings for the fourth quarter of fiscal 1999 is a pre-tax gain of $22,356 ($13,190 net of tax) or $0.18 per diluted share in connection with the sale of the Company's investment in NuvoMedia as more fully discussed in Note 6 of the Notes to Consolidated Financial Statements. In addition, the fourth quarter of fiscal 1999 includes the results of the Company's acquisition of Babbage's Etc. as more fully discussed in Note 10 of the Notes to Consolidated Financial Statements.

(d) As a result of the formation of Barnes & Noble.com on October 31, 1998, each quarter of fiscal 1998 presents the Company's equity in net loss of Barnes & Noble.com as a separate line item in accordance with the equity method of accounting. Accordingly, the first three quarters of fiscal 1998 reflect the Company's 100 percent equity in net losses of Barnes & Noble.com and the fourth quarter reflects the Company's 50 percent interest in the net losses of Barnes & Noble.com.

(e) Included in net earnings for the fourth quarter of fiscal 1998 is a pre-tax gain on the formation of Barnes & Noble.com of $63,759 ($37,618 after tax) or $0.52 per diluted share.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Barnes & Noble, Inc.

We have audited the accompanying consolidated balance sheets of Barnes & Noble, Inc. and subsidiaries as of January 29, 2000 and January 30, 1999 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three fiscal years in the period ended January 29, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Barnes & Noble, Inc. and its subsidiaries as of January 29, 2000 and January 30, 1999 and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 29, 2000, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the Consolidated Financial Statements, effective January 31, 1999, the Company changed its method of accounting for pre-opening expenses.

New York, New York
March 16, 2000

BDO Seidman, LLP

Exhibit 21.1

Subsidiaries of Barnes & Noble, Inc.

1. Barnes & Noble Booksellers, Inc., a Delaware corporation, a wholly owned subsidiary of Barnes & Noble, Inc. (the "Company").

2. B. Dalton Bookseller, Inc., a Minnesota corporation ("B. Dalton"), a wholly owned subsidiary of the Company.

3. Doubleday Book Shops, Inc., a Delaware corporation, a wholly owned subsidiary of B. Dalton.

4. CCI Holdings, Inc., a Texas corporation, a wholly owned subsidiary of the Company.

5. B&N Sub Corp., a Delaware corporation, a wholly owned subsidiary of the Company.

6. B&N.com Holding Corp., a Delaware corporation, a wholly owned subsidiary of the Company.

7. B&N.com Member Corp., a Delaware corporation, a wholly owned subsidiary of the Company.

8. Vendamerica, Inc. ("Vendamerica"), a Connecticut Corporation, a wholly owned subsidiary of B. Dalton.

9. Babbage's Etc. LLC, a Delaware limited liability company, a wholly owned subsidiary of B. Dalton and Vendamerica.

EXHIBIT 23.1

CONSENT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Barnes & Noble, Inc.
New York, New York

We hereby consent to the incorporation by reference of our report dated March 16, 2000 relating to the consolidated financial statements of Barnes & Noble, Inc. and subsidiaries, incorporated by reference into the Company's Annual Report on Form 10-K for the year ended January 29, 2000, into the prospectuses constituting a part of the following registration statements: No. 33-84826 on Form S-3, No. 33-89258 on Form S-3, No. 33-270333 on Form S-8, No. 33-89260 on Form S-8, and No. 33-97410 on Form S-3.

We also consent to the references to us under the caption "Experts" in the Prospectuses.

BDO Seidman, LLP

New York, New York
April 28, 2000